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## Yeltsin Ill With 'Slight' Heart Ailment

By Fred Hiatt

**MOSCOW** — Reports that Boris N. Yeltsin, the Russian Republic president, had fallen ill on Wednesday sent flutters through the financial markets and diplomatic circles, reminding the world of the continuing fragility of what leaders here are calling "the former Soviet Union."

Officials said Mr. Yeltsin, 60, suffered a minor heart problem on Wednesday that forced him to take a day off work. Tass quoted the acting chairman of the Russian legislature, Ruslan Khasbulatov, as saying that Mr. Yeltsin was "slightly ill," while members of his staff said he had "a slight heart problem."

They used the Russian word *pristup*, which can mean a heart attack or a less serious disorder.

Mr. Yeltsin's spokesman, Pavel Voshchanov, dismissed the reports of serious illness and said Mr. Yeltsin was home with minor chest pains.

He said Mr. Yeltsin might take Thursday off as well "if the doctor advises him" to do

so. But he added that "all this nonsense about him being seriously ill and in hospital is not true."

The reports came as Soviet leaders continued their efforts to build a new structure of government, after the virtual collapse last month of the Communist-dominated central rule of the past seven decades. The acting Soviet prime minister, Ivan S. Silayev, after threatening to resign last week, agreed on Wednesday to stay on in his caretaker post and to resign as the Russian Republic's prime minister in order to devote himself to developing an economic plan for a union of 15 republics.

Mr. Silayev has been reported to be at odds with Mr. Yeltsin and with his chief economic adviser, Grigori Yavlinsky.

But the prime minister, whose title will be chairman of the Interrepublican Economic Council, said he changed his mind after President Mikhail S. Gorbachev and the leaders of all the republics, most of which have declared independence, asked him to stay.

"As all republican presidents, and I stress all of them, were in favor of my moving here to work permanently—including Boris Yel-

sin, and that is important—I saw no reason to refuse," Mr. Silayev said.

After the failure of a right-wing coup last month, Mr. Yeltsin has emerged as probably the most influential leader in the Soviet Union.

The results of a public-opinion poll issued Wednesday showed that 64.1 percent of Muscovites feel complete confidence in Mr. Yeltsin, while only 21.3 percent place full trust in Mr. Gorbachev.

The Interfax news agency reported Wednesday morning that Mr. Yeltsin had been hospitalized, and then withdrew the report. The report was picked up and flashed across televisions and wire services around the world. The dollar skipped upward in European trading on the news.

Mr. Yeltsin has a history of ill health, including cardiac difficulties that have required hospital treatment.

In 1987, after he broke with Mr. Gorbachev and the Communist Party over what Mr. Yeltsin considered the slow pace of change, he was hospitalized with what he called in his autobiography "a severe bout of headaches and chest pains."

## Bush, 'Fed Up' With Iraq, Is Ready to Send Planes To Enforce Truce Terms

Compiled by Our Staff From Dispatches

**WASHINGTON** — The United States is preparing to send warplanes to Saudi Arabia to press President Saddam Hussein of Iraq to comply with the Gulf war cease-fire, American officials said Wednesday.

President George Bush said he was "fed up" with Mr. Saddam's resistance to the UN inspections.

Speaking in Arizona, the president acknowledged that he had authorized U.S. warplanes to escort UN helicopters on inspections of Iraqi weapons sites, but said he did not expect that action would be necessary against Iraqi forces.

"There's no deadline," Mr. Bush said, "but I'm thinking about seeing the will of the international coalition complied with."

"There's no threats, just determination," he added. "I'm confident he doesn't want a fight. I don't think it will come to that."

American fighter planes have been put on alert, awaiting orders to follow through on plans that call for them to provide protective cover for UN helicopters that are trying to uncover Mr. Saddam's remaining arsenal. Pentagon sources said one air wing would be flown into Saudi Arabia, along with support forces to provide intelligence and security.

Mr. Bush expressed confidence that the Iraqi leader "knows better than to take on the United States of America," adding that his patience with Mr. Saddam had run out a "long time ago."

He also said he was sending Patriot missiles to Saudi Arabia as "a safeguard."

Another senior Pentagon official said that no U.S. forces had moved as of midday Wednesday, but that any further U.S. action depended on what Iraq did.

"It may not be necessary to send any of these kinds of forces at all," the official said, as long as Iraq permits the UN inspection flights.

"There will be some units moved to Saudi Arabia," a senior administration official told reporters traveling with Mr. Bush aboard Air Force One.

"There are some units that will definitely go in," the official said, adding that some would be sent "within the next day or so."

At the United Nations in New York on Wednesday, diplomats said Iraq was near agreement on Security Council demands that it permit UN inspection teams to fly over its territory without restrictions in their search for weapons of mass destruction.

Senior UN officials said they believed the U.S. steps were meant to remind Iraq to honor Security Council demands unconditionally and were not the start of a new military action.

Iraq's chief delegate to the United Nations, Abdul Amir Anbahi, said of the inspection dispute: "This is a temper in an empty cup of tea. Iraq does not respond to threats."

"The concerns of the United Nations disarmament inspectors can be resolved by mutual understanding, not threats," he said.

The helicopter controversy has occupied the Security Council since late last week, when Iraq first rejected the overflights, saying it would supply the inspectors with its own aircraft.

Mr. Anbahi then returned to the council with several conditions. But council members insisted that Iraq first accept the flights unconditionally, as stated in cease-fire resolutions, and that then the commission would work out the details.

Defense Secretary Dick Cheney called the U.S. moves "contingency planning," saying Washington had not set a specific deadline for Mr. Saddam to comply with the cease-fire.

The UN secretary-general, Javier Pérez de Cuellar, said the United States and its allies could send in air escorts to support the UN inspectors without permission from the Security Council.

Iraq must cooperate with UN inspectors and eliminate its weapons of mass destruction under the April 3 cease-fire resolution approved by the Security Council.

"The Iraqi government will have to understand, really, that it is not the time, and not the place, and not the circumstances in which to squabble with the Security Council," said the Soviet UN representative, Deputy Foreign Minister Yuli Voronov.

In London, a spokesman for Prime Minister John Major said: "We have always made it clear to Iraq that there would be serious consequences for it if there was noncompliance."

Marlin Fitzwater, the White House press secretary, said: "I don't think it's an offensive kind of operation. I'm not sure there's a decision."

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Vanya Schmidt/Reuters

A civilian sheltering two Croatian fighters from the rain on Wednesday at the Yugoslav Army barracks in Zagreb.

## Yugoslav Cease-Fire Goes Up in Smoke

Raging Battles Cast Doubt on Proposal for European Peacekeeping Force

By John Tagliabue

New York Times Service

**ZAGREB, Yugoslavia** — Yugoslavia's latest cease-fire appeared to be collapsing as quickly as it had previously seemed to bring the guns here to silence, as the European mediator who brokered an agreement on Tuesday warned Wednesday that it represented Yugoslavia's last chance to avoid a far wider war in the region.

As a noon deadline passed for the guns to fall silent, fighting was reported in cities of central and eastern Croatia and in the port cities of the Adriatic coast.

At Split, navy vessels shelled the city while land forces pressed on its outskirts.

A deadly quiet fell over Zagreb, the Croatian capital, after a night of ground clashes and air attacks, despite the scattered firing of snipers near the central train station

and the air-raid sirens' walls, which the air force later said were false alarms.

In Skopje, the capital of the southern republic of Macedonia, legislators gave a further nudge to Yugoslavia's dismemberment, voting overwhelmingly to confirm the results of a Sept. 9 referendum, in which the republic's population voted by a large majority to follow secessionist Croatia and Slovenia in seeking independence from the Yugoslav federation.

For weeks, the leaders of Croatia and Serbia, the largest republics, have thwarted European Community attempts to restore peace. It was originally shattered when Croatia and its northern neighbor, Slovenia, declared their independence June 25. Since then, Croatia has suffered more than 500 dead and thousands of wounded. More than 200,000 people have fled their homes, the country's federal gov-

ernment has crumbled and the national economy has tumbled.

As the fighting spread, the Netherlands foreign minister, Hans van den Broek, reaffirmed that an armed peacekeeping force was necessary. European foreign and defense ministers will discuss such a move on Thursday, after hearing a report from Lord Carrington.

But Britain's prime minister, John Major, who was in The Hague for talks with Dutch leaders, emphasized London's view that the sending of armed cease-fire monitors must be preceded by a lasting cease-fire.

"I do not think anyone is talking about a peacekeeping approach in Yugoslavia," Mr. Major said.

As anger spread at this further failed cease-fire, armed Croatian civilians, cradling hunting rifles or automatic weapons, joined Croatian militiamen at many points throughout the republic, and were

often fired upon by a Serb fifth column that took to sniping even on the streets of Zagreb.

As if to prepare the republic for wider war, Croatia's television broadcast uninterrupted war reports, punctuated by images of fighting militiamen, some in black face masks, as well as religious images and sweeping panoramas of the republic's natural beauty, all against a backdrop of patriotic hymns.

[Croatia's defense minister, Luka Bobic, resigned on Wednesday, apparently after having jumped the gun on Tuesday by ordering Croatian forces to unblock federal barracks, Reuters reported from Zagreb.]

It was the fourth cease-fire arranged by the EC that has failed to take hold, and as in previous cases, each side blamed the other.

Croatia's deputy defense minister said. See BATTLES, Page 2

## NATO and Arab Allies Pledge Support

By Joseph Fitchett

International Herald Tribune

**BRUSSELS** — European and Arab allies have pledged support for the U.S.-led operation against Iraq, including air attacks if needed to enforce Security Council resolutions on Baghdad, Western officials said Wednesday.

In a hint about the pace of the buildup, NATO ambassadors held an unexpectedly long meeting here on Wednesday and then scheduled an emergency meeting on Friday. European policy-makers have agreed that Iraq must not be allowed the time to develop new weapons.

U.S. air power can be moved from Europe to the Middle East in a matter of hours. A Western policy-maker refused to speculate about the odds on renewed fighting or whether the anti-Iraq coalition could make Saddam Hussein back down simply by brandishing a greater threat of air war.

But the policy-maker said that the coalition of governments had concluded that they could not risk letting Mr. Saddam continue to evade close inspections of nuclear, biological and chemical weapons sites.

"We warned him last time," the official

said. "Now we're warning him this time."

U.S. sources said the military hunt in a resumed air war would be borne by U.S. units, mainly by Stealth and F-111 fighter-bombers.

Once again, U.S. air power will be based not only in Saudi Arabia but also in Turkey.

Britain and France have offered full support for a punitive operation, if necessary, and France will order its airplanes to mount parallel operations with U.S. operations if combat resumes, diplomats said.

Like the United States, both these main European allies are in the process of pulling out almost all their remaining ground forces from Saudi Arabia, where their presence is considered a political liability.

Air power, which can be moved easily, is the ideal form of military pressure on Iraq. NATO officials said. It offers Western governments and their Arab partners options ranging from a show of force to a showdown — with minimal disruption to host countries.

Long before the U.S. announcement, Iraqi resistance to compliance with UN resolutions had led Britain and France to publicly threaten new military action.

At the time of the cease-fire, many European were dissatisfied with the U.S. decision to halt the offensive short of the destruction of Iraq's armed forces, and there would probably be popular support for a new air campaign aimed at breaking Iraq's hold on nuclear secrets, protecting the Kurds and Shiites in Iraq and possibly hastening Mr. Saddam's removal from power.

Washington informed allied capitals on Monday that it planned to start a new military buildup for a possible resumption of hostilities, mainly involving fighter-bombers and reconnaissance planes.

Alliance officials declined to disclose the number of aircraft involved, but many of them will come from bases in Europe, mainly from Britain and Germany.

All of the airborne electronic intelligence, crucial for close targeting in an air campaign that would involve close coordination of military targets, would be U.S. equipment.

Much of it is deployed in Europe for NATO purposes, including the J-Stars spy planes that are capable of picking out ground targets and guiding electronic "smart bombs," which would be the weapon of choice in a punitive military action against Iraq.

## Crux of Loan Feud: Mistrust and Israeli Anxiety

By Thomas L. Friedman

New York Times Service

**DAMASCUS** — The struggle between the Bush administration and Israel over the question of Israeli housing-loan guarantees is such an explosive and illuminating story because it brings together all of the underlying — often unspoken — anxieties, tensions and contradictions in the relationship between America and Israel.

This struggle is about everything other than \$10 billion in loan guarantees.

It is about Israel's anxiety over America's changing role in the world; it is about conflicting instincts within the Bush administration over how to make peace in the Middle East; it is about the mutual mistrust between

Israelis and President George Bush; and it is about Israel's inability to face up to its own fateful choices regarding the future of the occupied territories.

At its broadest level, one of the deepest anxieties animating the Israelis in this struggle

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is their intuitive sense that now that the United States has become the world's only superpower, that it is moving, and will continue to move, from Israel's patron in global affairs to a more neutral umpire, dispassionately mediating between Israel and its Arab neighbors.

It was revealing to note that one of the written assurances that the government of

Prime Minister Yitzhak Shamir contemplated requesting of Secretary of State James A. Baker 3rd before Israel would go to a peace conference was some sort of general commitment from the United States to be sympathetic to Israel at the conference, because Israel would have no other friends there.

The Israelis understand that without the backdrop of U.S.-Soviet competition, America's natural inclination to side with Israel, just because Moscow was siding with the Arabs, is greatly diminished.

Also, the loan-guarantee issue has brought to the center of Israeli politics a question that the country's leaders have been trying to avoid since they captured the West Bank and

See ISRAEL, Page 3

## In a New World Without a Script, Bonn Seeks the Right Role

By Marc Fisher

Washington Post Service

**BERLIN** — Germany alone repeatedly threatens to recognize the breakaway Yugoslav republics of Croatia and Slovenia. Germany leads Europe into a quick recognition of Baltic independence. Germany chastizes its Western allies for hesitating to pump new aid into the Soviet Union.

Germany calls for a quick ban on short-range nuclear weapons. It proposes that the Conference on Security and Cooperation in Europe form its own peace-keeping force. And it summons allies for talks on giving Germany more control over the 320,000 Western troops on its territory.

In large ways and small, reunited Germany is emerging from decades of modesty in international affairs. Whether it is an effort to have German added to English and French as a primary language of the European Community or a new frankness about the dominant role Germany seems destined to play in European politics, its leaders have begun to test the new, expanded role that the United States and other Western countries have been urging on Chancellor Helmut Kohl's government since the fall of the Berlin Wall.

If it is not a new German assertiveness, it is at least a groping for the right role to play in a world suddenly shorn of old certainties.

"We have abandoned any policy of power politics," said Hans Schumacher, a Foreign Ministry spokesman. "Ours is a policy of taking

over responsibilities in Europe, with our European partners. One thing has changed: The times when Bonn was carrying out the so-called convoy role of following others is over."

"They are responding to the calls for Germany to do more," said an American diplomat. "Germany's wealth, geographical position and history require it to play a large helping role."

Although some analysts see Foreign Minister Hans-Dietrich Genscher as seeking to lead both his European allies and the United States into quicker, more decisive reactions to change in the Soviet Union and Eastern Europe, others say German policy remains haphazard.

See GERMANY, Page 2

## Bank Chief Sees Germany Bouncing Back in '92

By Richard E. Smith

International Herald Tribune

**FRANKFURT** — Germany's worst bout of inflation in almost 10 years is finally peaking and could recede next year, helped by a stronger Deutsche mark.

That is the confident assessment of Helmut Schlesinger, the new president of the Bundesbank, who said in an interview here that "the markets seem to be regaining confidence in the mark."

Noting that the mark is about 20 percent above its low of earlier this year, Mr. Schlesinger said it should get "a slight boost" from the growing gap between German and U.S. interest rates.

Mr. Schlesinger added that he would be happy to see other European currencies join the mark as anti-inflationary "anchors" to the European Monetary System, now that those currencies have become stable.

"If there are more countries in Europe with stable currencies, all the better for us and all the better for Europe," Mr. Schlesinger said. "If our anchor role is reduced and there are several anchors, all the better."

Earlier this week, Jacques de Larosière, governor of the Bank of France, said that "a collective anchor made up of the group of currencies with the lowest inflation" should replace the mark as the chief anchor of currency stability in the European Monetary System.

Mr. Schlesinger said the Federal Reserve Board's decision to lower U.S. interest rates last Friday did not mean that Germany had to follow suit. "You cannot expect consequences for our interest rates from this," he said.

Alluding to the decision to keep interest rates high, Mr. Schlesinger said Germany would be better off with higher net capital inflows to finance the enormous costs of reunification.

Suggesting for the first time that German inflation had peaked at an underlying rate of about 4 percent, Mr. Schlesinger showed more confidence in the country's economy than have many private analysts, who have said they believed the inflation rate could rise further in the months ahead.

"I don't agree with those who see the rate in a range of 5 percent," he said.

Asked whether he saw a drop in inflation next year, Mr. Schlesinger declined to make any prediction. "I would not want to rule that out," he said. "That is something we are aiming for."

Mr. Schlesinger added that other factors besides a strong mark could work to tame German inflation. These included a propensity by East Germans to save, a continuing anti-inflationary psychology among

See MARK, Page 13



TALKS IN BONN — President François Mitterrand, left, and Chancellor Helmut Kohl in the German capital Wednesday. It was Mr. Mitterrand's first visit to Bonn since the reunification.

### Kiosk

#### East German Spy to Surrender

**BERLIN (APF)** — Markus Wolf, the former head of East German espionage, who has fled for political asylum in Austria, will turn himself over to German police in the coming days, Justice Minister Klaus Kinkel said.

Mr. Kinkel said Mr. Wolf, 68, would surrender by the middle of next week and would be detained immediately. An arrest warrant, dating from 1989, has been filed against him for espionage against the Federal Republic of Germany.

#### General News

The Iran-contra inquiry has fallen short of its goal, Page 4.

#### Business/Finance

France's budget will be tight but tilted toward education under a cabinet plan, Page 13.

Dow Jones	The Dollar
Up 4.70	DM 1.685
3,017.88	Pound 1.7295
	Yen 134.345
	FF 5.741

Crossword

Page 7.





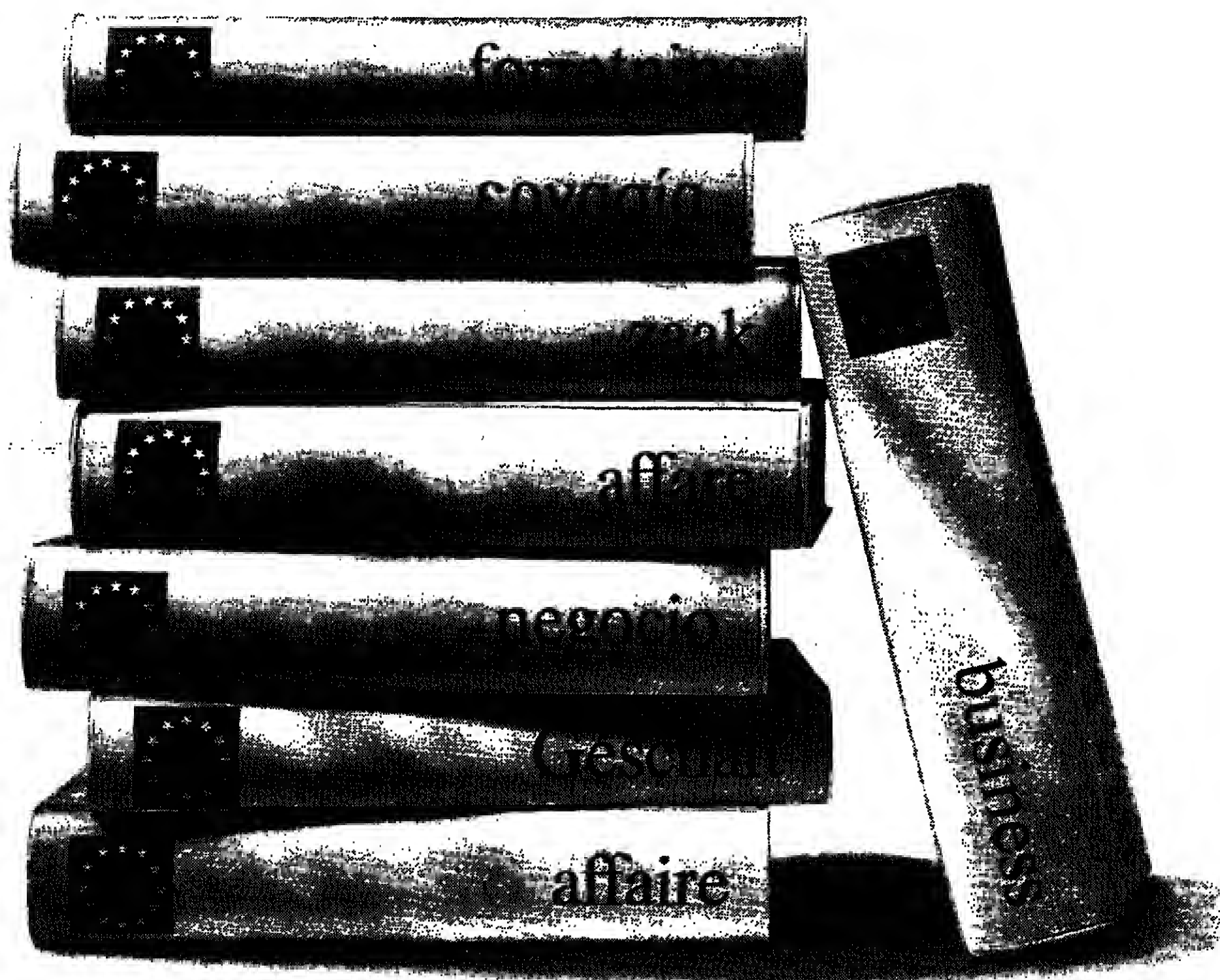








# What's uncommon about the Common Market?



**Eliminating national boundaries in your business will not necessarily lead to boundless growth.**

The momentum is beginning to pick up. The Single European Market is no longer just a vision. It will soon become a reality. The closer the date of January 1, 1993 approaches, the fewer the remaining obstacles to European economic integration. Some of these impediments are small and some are large.

But of one thing you can be certain: they are definitely being overcome. The political will is there, and much of what

still divides the twelve member states is on its way out.

But even with all the necessary European unification measures, just how uncommon will the Common Market actually be in just a couple of years?

The experts all agree: the Europe of the future will continue to be characterized by contrast and complexity.

Not only because of its great linguistic and cultural diversity.

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## Angry Senators Urge Aquino's Impeachment For Defiance of Vote

Compiled by Our Staff From Dispatches

MANILA — President Corason C. Aquino was threatened with impeachment on Wednesday and was warned there would be bloodshed following her decision to defy the Senate and allow U.S. forces to stay on at the Subic Bay Naval Station after their lease expired.

The president's action was made in response to the Senate's rejection of an agreement that would have extended the U.S. military presence for another decade. Mrs. Aquino wants time to organize a national referendum on the issue in the belief that the public would support the continuation of the U.S. presence because of its economic benefits.

Senator Juan Ponce Enrile, the leader of the Nacionalista Party, the main opposition party, said Wednesday: "She is liable to impeachment. There is clear ground for impeachment. I am calling for it."

But he conceded that he did not have enough votes in the 23-member Senate to vote impeachment.

Mr. Enrile was one of 12 sena-

tors — including some members of Mrs. Aquino's own coalition — who voted Monday to reject the new base treaty with the United States. The U.S. lease expired the day of the vote.

The Senate president, Jovito Salonga, warned of bloodshed if the Americans stayed on. In a radio broadcast, Mr. Salonga said, "We will further divide the nation and blood might flow."

Mr. Salonga, a former ally of Mrs. Aquino, appealed to her to "be true to the constitution," which states that U.S. bases can stay in the country only under a treaty ratified by the Senate.

Many legal experts, including the framers of the constitution, question the legality of a referendum.

Until now the government had maintained that the constitution required the bases to close by Sept. 16, 1991, unless a new base agreement was negotiated and ratified by two-thirds of the 23 senators.

On Wednesday, the presidential executive secretary, Franklin Dilon, said that the correct interpreta-



**STUDENT SLAIN** — Suh Yon Kyong, right, being consoled by her sister in Seoul on Wednesday after her husband, a graduate student, was killed by a police bullet while passing an anti-government demonstration. The killing provoked renewed demonstrations by students throughout the country.

tion of the original 1947 bases agreement, which has been extended periodically since, was that it expired on Dec. 31, not on Sept. 16.

Jose Nollado, a law professor who was on the commission that

drafted the constitution and who wrote the section on the U.S. bases, said the Dec. 31 date shocked him and clearly violated the intent of the constitutional commission.

(AP, Reuters, AFP)

## Lauda Crash: Breakdown on Air Safety

Assumptions, Not Full Tests of Thrust Reversers, Led to Certification of 767

By Don Phillips

Washington Post Service

WASHINGTON — Federal regulations require that before a plane is certified as airworthy, a manufacturer must demonstrate "by analysis or test" that it is capable of continued safe operation if an engine thrust reverser deploys in flight.

More than a decade ago, Boeing, seeking certification for its 767, performed low-speed tests and did an engineering analysis that showed the plane could fly even if the reverser — a supplemental braking system attached to the engine — started up at high speed and thrust.

Based on that analysis, the Federal Aviation Administration certified the system, and ultimately the plane.

The analysis proved to be wrong. On May 26, 223 people died when a Lauda Air Boeing 767 broke up and crashed in a jungle in Thailand after a thrust reverser started as the airliner climbed.

The preliminary investigation showed that the left engine thrust reverser started for unknown reasons, and the plane almost immediately rolled into a dive, breaking the sound barrier before it broke apart.

It is now evident that what is considered the toughest and most thorough certification process in the world failed to discover a simple fact: If a thrust reverser starts up on a 767 at high power, the jet will fall from the sky.

Moreover, it appears probable that all new-

generation large jets with one high-power fanjet on each wing have the same problem. A redesign of the thrust reverser system is expected to cost tens of thousands of dollars per plane.

That discovery and its aftermath have raised questions about the certification process under which the agency assures the public that an aircraft is safe.

A thrust reverser redirects an engine's exhaust to add to the braking power. A reverser is

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not considered vital, and all aircraft are certified to land safely without one. Conversely, aircraft must be certified to be controllable if a reverser starts accidentally in flight.

The certification system that approved the 767 was in part a victim of assumptions.

Throughout jet aviation history, sudden start-up of a thrust reverser was not considered a particularly distressing event. Numerous jet aircraft have survived incidents when thrust reversers started in flight, and some early four-engine jets were even designed for the two inboard reversers to operate in flight to hasten a descent.

Reversers on airliners also have so many multiple safety systems that in-flight reverse is rare. In addition to internal safety systems in the reverser, another system shuts down the engine immediately if a reverser starts up.

But over the last decade, the development of

the high-power, "high-bypass" engine created a problem that experts did not recognize.

In the aftermath of the Lauda Air crash, investigators discovered that the high-bypass engine and the way it is attached to the wing change the aerodynamics of the plane. If a reverser starts at high speed and thrust, it can destroy up to 30 percent of the lift on one wing and disrupt the flow of air over tail control surfaces.

The high-bypass engine features a fan at its front that is made much larger than in older jets so air is pulled around the engine to provide additional thrust, much like a propeller. The engine housing is larger, and the engine is attached closer to the wing than on many smaller jets.

These large fans also take about eight seconds to "spool down," meaning the engine does not effectively shut down immediately. At the speed of the Lauda plane — about 575 miles an hour (about 925 kilometers an hour) — a 767 with a reverser kicking in would roll onto its back within four seconds and go into a dive.

Ben Cosgrove, senior vice president of the Boeing Commercial Airplane Group, said Boeing is sifting through paperwork from the 767 certification process a decade ago to recreate how decisions were made. But it is clear that Boeing, with agency approval, limited in-flight reverse testing to low speeds with the engine at idle, presumably on the theory that the engine would automatically shut down in such an event.

## Internationale Nederlanden Group

Internationale Nederlanden Group is pleased to report good financial results for the half year ended 30th June 1991. Net profit has increased by 18.8% from NLG 628 million to NLG 746 million.

These are the first figures from the significant new financial services group, with 50,000 employees and operations in 41 countries, created by the merger of Nationale-Nederlanden N.V. and NMB Postbank Groep N.V.

For 1991 as a whole, Internationale Nederlanden Group expects a satisfactory balance of profit compared to 1990.

### First half year 1991

1 NLG = £ 0.302	First half 1991	First half 1990*)	Change
Revenue	f 23.604 mln	f 20.519 mln	+15.0%
Net profit	f 746 mln	f 628 mln	+18.8%
Net profit per share	f 3.25	f 2.71	+19.9%
Interim Dividend	f 1.50	f 1.43	+ 4.9%
	Per 30/6/91	Per 31/12/90	
Balance sheet total	f 297.4 bln	f 275.9 bln	+ 7.8%
Capital and surplus	f 14.2 bln	f 13.9 bln	+ 2.2%

\*) Pro forma combined figures

## Kaifu's Party Approves Troops on UN Missions

Compiled by Our Staff From Dispatches

TOKYO — The Liberal Democratic Party of Prime Minister Toshiki Kaifu gave its approval Wednesday to legislation that would allow Japan to provide troops for United Nations peacekeeping operations.

The legislation now is to be submitted for cabinet approval and then to the Diet, the Japanese parliament. A government spokesman said the date for cabinet consideration had not been set.

The bill, amounting to a reversal of Japanese policy, would permit the armed troops to take part in UN peacekeeping operations in areas where a cease-fire has been declared, and on condition that all parties involved agree to Japan's participation.

It would allow Japanese soldiers to carry only enough arms for self-defense.

Japan's postwar constitution bans the use of force to settle inter-

national disputes, a provision the government cited in declining to send troops to join the U.S.-led coalition against Iraq.

"After long discussions with the other two parties, we arrived at what we think is a compromise draft," a Liberal Democratic Party spokesman reported.

After reaching preliminary agreement last week, the Liberal Democrats and two opposition parties have been negotiating the terms under which troops might be dispatched.

"Our bill does not require the prime minister to get parliament's consent in each case," the spokesman said.

One of the opposition parties involved in the negotiations, the Democratic Socialist Party, says it would prefer a stipulation that the prime minister must gain the consent of the Diet each time troops are engaged. (AP, UPI)

## Kim Il Sung Reported To Want Seoul Talks

Compiled by Our Staff From Dispatches

SEOUL — A senior North Korean official said Wednesday that President Kim Il Sung wants a summit meeting with President Roh Tae Woo of South Korea, according to official press reports.

Kang Sok Ju, the first deputy minister of foreign affairs of North Korea, told South Korean reporters in New York that there was no reason the two presidents could not meet, now that the two Koreas "have been admitted to the United Nations and recognized as legitimate governments in the international community."

"President Kim Il Sung also wants to have a North-South summit, but I cannot say when the meeting will be able to take place," Mr. Kang was quoted as saying by South Korea's Yonhap press agency. The two states were admitted to the United Nations as full members Tuesday.

### A Farewell Call By Soviet Envoys

Reuters

STOCKHOLM — Foreign Minister Boris D. Pankin of the Soviet Union said Wednesday that most of the ambassadors recalled after last month's failed coup had agreed to return to their posts only to "say goodbye."

A number of ambassadors, including Leonid M. Zamyatin in London and Nikolai Uspensky in Stockholm, were summoned home after the failed coup and accused of wavering between support for the plotters and President Mikhail S. Gorbachev. Mr. Zamyatin returned to London on Tuesday to end his assignment.

His remarks, also reported by KGB state radio, marked the first time that such a senior North Korean official had responded so positively to Mr. Roh's calls for an inter-Korean summit meeting.

The South Korean government, which hopes that UN membership will lead to a rapprochement between the two sides, said it had not received any official word from North Korea on a proposed summit meeting.

Mr. Kang said the Koreans' entry into the world organization had created "an environment advantageous to the reunification of the fatherland," and added that he did not think the separate representation of the two Koreas would be permanent.

"South-North dialogue will take place in Seoul and in Pyongyang," he said, referring to the impact of UN admission on inter-Korean relations. "Here, the two sides will have to deal with matters of mutual cooperation at the United Nations and reunification-oriented subjects."

Mr. Kang said he hoped the North Korean entry would also "contribute to improving relations with the United States" and to talks on the pullout of the 43,000 U.S. troops based in South Korea. He said Pyongyang viewed positively a proposal from Seoul to hold inter-Korean foreign ministers' talks. (AFP, Reuters)

### DEATH NOTICE

#### JAMES STEWART

Died on September 15 in New York City after a short illness. He is survived by his wife Marjorie Terry Stewart, 5 children and 9 grandchildren. He was former Chairman of the Board & Chief Executive Officer of Frank B. Hall & Company.

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## HEALTH/SCIENCE

Off Your Back  
And Go to Work  
New Views on TherapyBy Jane E. Brody  
New York Times Service

**N**EW YORK — Erase most of what you thought you knew about back problems and how to keep them from interfering with your job. The prevention and treatment of this very expensive and debilitating occupational health problem are undergoing a radical transformation.

Studies have uncovered surprising facts about the causes of job-related back problems. The studies have also shown little or no justification for prolonged bed rest and most other time-honored approaches to therapy.

The philosophy now is to get people back on their feet within a day or two and teach them how to strengthen and use, but not abuse, their muscles and joints. Therapists are also paying a lot more attention to emotional factors like job dissatisfaction that, research has shown, are sometimes the primary cause of employees' back complaints.

And back experts are challenging the usefulness of pre-employment tests being used in an attempt to screen out workers most likely to suffer back injuries.

According to the American Academy of Orthopedic Surgeons, lower-back pain is second only to the common cold as a cause of employee absenteeism, accounting for 40 percent of missed work days in the United States. Various studies have revealed that one in five work injuries involves the back and that 80 percent of adults suffer at least one significant backache in their working lives.

The costs are staggering, amounting to between \$16 billion and \$50 billion a year in medical expenses and lost wages and productivity in the United States. Back ailments account for the largest share of workers' compensation claims, according to Dr. Pasquale Montesano, orthopedic surgeon at the University of California, Davis. However, Dr. Montesano noted, in many states, including New York, workers' compensation covers only outdated remedies, in effect denying employees the best chances for a rapid recovery.

Not surprisingly, workers in industries that demand lifting and moving of heavy objects are frequent victims. In a recent random survey of 1,100 adults commissioned by Glenbrook Laboratories, half of the construction workers interviewed said they had back problems. Nurses who attend patients are another high-risk group; in a previous study using interviews with 500 young staff nurses, 52 percent had work-related back pain lasting longer than two weeks.

But the national survey also showed that you don't have to move much to hurt your back. Sedentary jobs that do not involve lifting or moving heavy objects contribute to a large proportion of back trouble. In the survey, 36 percent of secretaries and 28 percent of teachers complained of back pain. Other studies have pinpointed truck drivers as another high-risk group. Although to most people standing up is more tiring than sitting, sitting is far more stressful to the back, especially if repeated twisting is required.

A host of personal factors also contribute. People who are overweight or out of shape are much more vulnerable. The weaker the muscles in the abdomen, buttocks and front of the thigh, the greater the strain on back structures.

Then there are emotional contributions. Dr. Stanley J. Bigos and colleagues at the University of Washington found in an eight-year study of back injuries at Boeing Co.'s assembly plant in Everett, Washington, that workers are far more likely to report back trouble if they regard their jobs as unfulfilling and lacking in assets.

Dr. Montesano recommends conditioning through low-impact aerobics, like high-speed walking, stationary cycling, swimming or use of a stair-climbing or cross-country skiing machine. Activity increases spinal circulation and strengthens leg muscles to do some of the work of the back. Bed rest, on the other hand, "is probably harmful because you lose muscle strength and tone and calcium from your bones," he said.

## The Off-On Switch for Genes

By Natalie Angier  
New York Times Service

**N**EW YORK — If stretched to its full length, a single molecule of human DNA would extend more than three feet (90 centimeters), the height of the average nursery school child.

But when squeezed and coiled and crammed into its rightful place in the bosom of the cell, the molecule of life measures about a millionth of an inch across.

The extraordinary feat of packing long, viscous ribbons of genetic material into a tiny spot is performed largely by histones, a family of five proteins that bug the DNA and condense it.

Yet as considerable as this compaction job may be, many scientists have long dismissed the histone proteins as dull structural elements to keep the all-important genetic molecule in its proper dimensions.

Now evidence is mounting that the proteins do far more than compress DNA.

In a series of reports that have appeared recently in the journals Cell, Science, the Journal of Biological Chemistry and elsewhere, researchers have discovered that histones are profoundly involved with one of the central tasks of staying alive: that of switching genes on and off along the DNA molecule in a deftly timed and delicately patterned fashion.

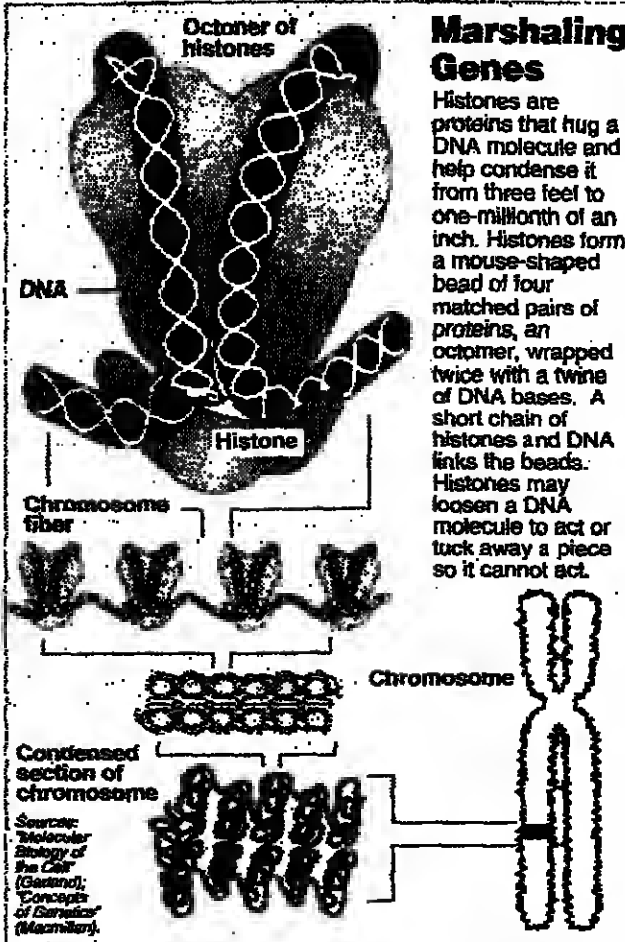
Through the control of gene activity, each cell performs its characteristic task — secreting bile salts if it's a gall bladder cell, or metabolic hormones if it's a thyroid gland cell.

The new work indicates that histones serve to control gene activity by being competitors against some proteins for the allegiance of DNA. Scientists have found that in some cases, when proteins known as transcription factors approach the genetic molecule determined to grasp it and set a round of gene activity rolling, the proteins must first outbid the histones that are already touching the DNA.

Only under the most exacting of biochemical conditions will the histones cede enough space to allow the transcription factors to massage the DNA and thus get their message across.

In one cell type, the histones may loosen up a stretch of the chromosome, thrusting it out toward the world in preparation for business; while in another cell the same region may be shuttered up, tucked away and as good as dead.

Histones seem to be particularly critical for keeping genes turned



off. Some genes, if not firmly repressed by histones, would be kept working at a low and potentially lethal level in the cell.

"I think people have a hard time accepting that just being switched off is an active process," said Dr. James T. Kadonaga, a biochemist at the University of California at San Diego.

By understanding how the small clan of histone proteins helps set the tone and amplitude for gene expression in the trillions of cells of the body, scientists hope to get a handle on the great puzzle of when cells should divide and when they must expire.

"It used to be said that if you want to do something exciting in science, don't go into chromosome structure," said Dr. Michael Grunstein, a molecular biologist at the University of California at Los Angeles. "But lately there's been a big change, and there's a new excitement. I don't feel like a lone voice out in the wilderness anymore."

Knowledge about histone behavior and the architecture of DNA may even help reveal the mechanisms behind some diseases.

## Marshaling Genes

Histones are proteins that hug a DNA molecule and help condense it from three feet to one-millionth of an inch. Histones form a mouse-shaped bead of four matched pairs of proteins, an octamer, wrapped twice with a twine of DNA bases. A short chain of histones and DNA links the beads. Histones may loosen a DNA molecule to act or tuck away a piece so it cannot act.

Researchers studying common blood disorders known as the thalassemias have discovered that in some cases the illness stems from a distorted twisting in the structure of the DNA molecule, possibly as a result of histone disturbances.

And because cancer is a disease of abnormal cell division and aberrant gene activity, the disturbance of the histone proteins that help protect DNA is thought to be an important step in malignant transformation.

But more than looking for any utilitarian value, scientists are interested in histones because the proteins have given them yet another rich subject to quarrel over. "Some of the ideas about histones are very controversial right now," Dr. Kadonaga said. "This is a classic case of a general resistance to new ideas. The data are fairly straightforward, but a lot of people just generally don't believe them."

Dr. Grunstein agreed. "Once people get it in their mind that something is unimportant, it can be a real uphill battle to get them to change their opinions," he said.

Part of the resistance to histones

is historical, he said. Many of the ideas about how genes work have come from the study of bacteria, and the DNA of these microbes is packaged very differently from that of the cells of higher organisms.

Bacterial DNA is loose in the cell, rather than being protectively sequestered in a yolk-like nucleus, and it is not enmeshed in histones.

But even when scientists have chosen to study DNA of higher creatures, they have often begun their experiments by chemically de-frocking the genetic molecule of its surrounding histones and tossing the naked strand into a test tube.

They would then study the behavior of the special proteins that copy and activate the DNA.

That pristine test-tube method has yielded many insights into the signals that spark the copying of different genes, but lately a number of scientists have derided the approach as reductionist and in some cases wrong.

Some scientists believe that DNA in its histone packaging may behave very differently from the stripped-down DNA that is studied in the test tube.

"It isn't naked DNA" that is at work in the cell, said Dr. Gary Felsenfeld of the National Institutes of Health in Bethesda. Instead, the critics argued, animal DNA had to be considered in its native state, in the nucleus, with all its confounding embroidery.

"Histones are there, and we have to deal with them," said Dr. Robert Tjian of the University of California at Berkeley. "They're the first line of gene regulation, and they're important, no doubt about it."

Only recently, with the introduction of several technical advances, have researchers begun to see when, how and under what circumstances histones control the genes so gracefully wrapped around and between them.

One breakthrough has been the ability to manipulate yeast cells in the laboratory so adroitly that histone production can be modulated at will.

In a recent report in Cell, Dr. Grunstein and his co-workers showed that if they destroyed one little element of a histone gene in yeast cells, the cells survived, but barely: With histone production out of whack, several genes needed to metabolize the fungus's sugary meals could not be switched on.

To other experiments, scientists demonstrated that by interfering with the opposite end of the same histone gene, cells could no longer turn a few vital genes off. The complementary studies were the first clear evidence of histones' subtle and versatile talents for orchestrating gene behavior.

## U.S. to Test Drug for Prevention of Breast Cancer

By Gina Kolata  
New York Times Service

**F**OR some time, a few doctors have quietly been offering a few frightened women a powerful drug they hope will prevent breast cancer. Now the National Cancer Institute is poised to begin an enormous study to see whether the treatment works.

The drug is tamoxifen, a synthetic hormone that blocks the action of the female hormone estrogen in the breast, depriving many cancers of the fuel that feeds them.

In the study, 16,000 women will be randomly assigned to take tamoxifen or a dummy pill for five years. If the five-year study shows that the hormone prevents cancer, millions of women will probably be advised to take it for the rest of their lives.

Investigators expect that tamoxifen will also prevent some heart disease and even osteoporosis, the bone-thinning disorder that causes hip fractures and other problems, particularly in elderly women.

Although it blocks estrogen's action in the breast, tamoxifen apparently mimics the hormone's protective effects elsewhere in the body.

Some researchers say they are deeply concerned by the prospect of giving a powerful drug, with side effects that are incompletely understood, to thousands of healthy women. But others said women

## Estimating Risk: 4 Factors and 4 Women

According to Dr. Mitchell H. Gail, a medical statistician at the National Cancer Institute, four factors overwhelm the rest in predicting a woman's risk of developing breast cancer: the age at which she started to menstruate; the age at which she had her first live birth; whether she had any biopsies of her breast, particularly before menopause; and whether her mother or sisters had breast cancer. The analysis, derived from a cancer institute study of 284,780 women who were regularly screened for breast cancer, discounts many other possible factors, like taking estrogen after menopause, entering menopause late, obesity, one or more alcoholic drinks a day and relatives in their father's family who had breast cancer.

Age	Age at onset of menstruation	Age at first live birth	Breast biopsies	Family history	10-year risk	20-year risk	30-year risk
40	13	25	none	mother	3.7%	6.1%	12.6%
40	13	25	none	none	2.1	4.7	7.3
50	14	19	none	mother and sister	0.5	1.7	3.2
50	12	35	2	mother and sister	11.0	21.3	27.5

Source: Mitchell H. Gail, M.D., National Cancer Institute.

The New York Times

were so desperate for a way to prevent breast cancer that tamoxifen was creeping into medical practice even without evidence that it works.

"The question is: Are we going to find out whether tamoxifen works by doing a fast, clean study or are we going to see it creep into medical practice?" asked Dr. I. Craig Henderson, a breast cancer researcher at Dana Farber Cancer Institute in Boston and the chairman of an advisory panel to the

Food and Drug Administration that provisionally approved the tamoxifen study.

"This is one of the most interesting public health trials going on right now," Dr. Henderson said. "I can't emphasize enough how important it is."

Dr. Leslie Ford, a research administrator at the National Cancer Institute, who is overseeing the study, said, "This is probably the most significant prevention study we've undertaken."

Though tamoxifen is already widely used to treat women with breast cancer, not everyone agrees that the proposed study is a good idea. For one thing, it raises the question of whether the United States wants, or can afford, to give healthy people an expensive drug to prevent a disease that many would never get anyway.

For another, it is not without side effects. "We think it's a perversion of women's health," said Dr. Adriane

Fugh-Berman, a general practitioner in Washington, who is an adviser to the National Women's Health Network. "Tamoxifen is not at all benign compared to other public health measures like fluoridation of water or vitamin D-enriched milk."

The drug can cause menopausal symptoms like hot flashes and sweaty palms; it increases a woman's risk of cancer of the lining of the uterus, it can cause depression and it causes liver cancer in rats.

And, Dr. Fugh-Berman added, the drug, made by ICI Pharmaceuticals, a subsidiary of ICI Americas, costs \$3.60 a day.

"I would really like to convince

any healthy woman to stay off tamoxifen," said Cindy Pearson, the program director at the National Women's Health Network. She said people's vision had been clouded by "a kind of desperation" to try to prevent breast cancer.

The directors of the tamoxifen study recently submitted what they expect will be the final version of the study design to the Food and Drug Administration. Dr. Bernard Fisher, a breast cancer researcher at the University of Pittsburgh, who will direct the study, said he expected to begin signing women up by Jan. 1.

According to the American Cancer Society, breast cancer will be diagnosed in 175,000 American women in 1991, and 44,500 will die from it. There is little a woman can do to protect herself, other than examine her breasts regularly, have mammograms in her middle and later years and hope that if she does get cancer, she finds it early enough for a cure.

"We've done some estimates of what would be the effect if the trial was successful," Dr. Fisher said. "We anticipate that 36,000 invasive breast cancers and 34,000 heart attacks annually could be eliminated."

In the study proposal now under review at the FDA, women will be eligible for the study if they are 60 or older or if they have a breast cancer risk at least that of a 60-year-old.

For example, a 40-year-old woman whose mother had breast cancer would have a risk greater than that of the average 60-year-old, said Dr. Mitchell Gail of the National Cancer Institute, who developed the mathematical model of breast cancer risk that is being used by the study coordinators.

Dr. Wendy Schain, a psychologist at Memorial Cancer Institute in Long Beach, California, who will help assess tamoxifen's effects on quality of life for the study, said there was a demand for the study among women who have seen their mothers and sisters die of breast cancer and are terrified that they may get it too.

Dr. Schain, who herself has had breast cancer, said that some women will welcome a chance to take tamoxifen pills.

"Every single day when they put that pill in their mouth, they will be hoping that that will prevent that awesome, fearful happening," she said.

Dr. Richard Love, a cancer researcher at the University of Wisconsin in Madison, who has studied tamoxifen for nearly two decades, said he first thought about giving the drug to healthy women in the early 1980s, when he learned that tamoxifen can prevent breast cancer in rats.

Ordinarily, certain chemical carcinogens cause breast cancer in every rat that is fed them. But when researchers gave the animals tamoxifen shortly after feeding them the carcinogens, only about 10 percent got cancer.

From 1986 until 1990, Dr. Love conducted a study in 140 women who had had small breast cancers and who had been told that no further treatment was necessary. He gave half the women tamoxifen and half a dummy pill. The study was too small and too short to show whether the women who took tamoxifen were less likely to have a recurrence of their cancer, but it did show tamoxifen's other effects on the body.

Dr. Love found that half the women taking tamoxifen suffered from menopausal-like symptoms, but nearly all the women took their tamoxifen anyway. As a consequence of taking tamoxifen, the women seemed to have a lower risk of heart disease.

Their cholesterol levels plummeted by an average of 12 percent and their low-density lipoproteins, the cholesterol carriers that shuttle the fatty substance to arteries, dropped by 20 percent.

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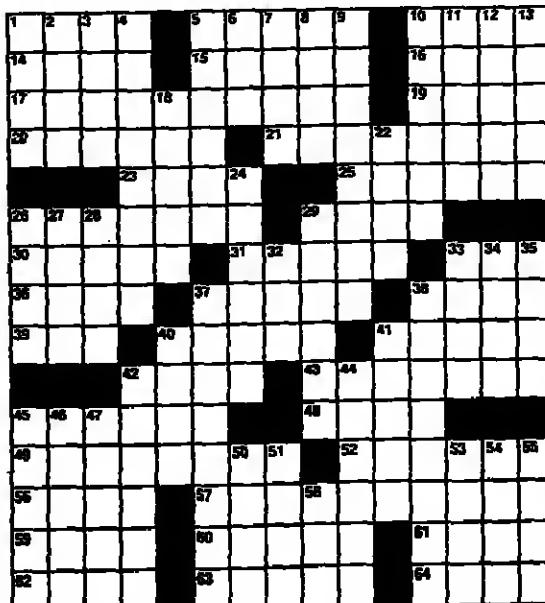
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Herald Tribune.

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  - Credulous
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  - Cheaters
  - One of the Sinatras
  - Novel by Ayn Rand
  - Adjective for a metaphor
  - Consequently
  - Potentially active
  - Where topolides meet a deck
  - Adorable
  - Bellowing
  - Burbs or butters
  - Bandicoot
  - Slice of bacon
  - Wilkes-Pa.
  - Violin attachment
  - Blackberry
  - British praline's headgear
  - English dynasty
  - Afflict with annual
  - Hair: drag: slang
  - Thinly populated
  - Kind
  - Idol's place
  - Famed soprano from Berlin
  - Osmund, a.g.
  - Thriller at Shea
  - Lanyard
  - Corporeal channel
  - Actress Bonet
  - Bellena Pavlova
  - Say "I'll"
  - Flush
  - State
  - Determined
  - Cassowary, for one
  - Gobel's widow
  - He wrote "La Vie de Jesus"
  - Aggrandize
  - Composer of "The Mary Widow"
  - Soft touches
  - Annul
  - Comedian-actor Kaplan
  - Russian river
  - Christina novel
  - Canooda
  - Brul legend
  - Brusque
  - Summouting
  - U. of Maryland athlete
  - Jesuits' caps
  - Manifold
  - Gathering of still atoms
  - Ruth's retired number
  - Star of comics
  - Ring around Rover
  - Type of bandage
  - Ex-dictator of Argentina
  - Purile
  - In single file
  - Vatican City coins
  - Year in Justinian I's reign
  - Ameliorate or mitigate
  - Notan of pitching fame
  - Sch. affiliate

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ERROR BOBO AILE  
FLANNERY CONNOR  
TOM EVIAN RITES  
DESOS IDEAS  
RELATE ALGER  
ITER OCALA DOE  
CARBONIC COLLERS  
ELS PEARY ETAT  
TIARA GREOLE  
SPEAR BOURN  
APART SCRIM ABU  
JOYCE CAROLATES  
AKEE AREA RHONE  
NEEL TIED SARDS



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# Herald Tribune

Published With The New York Times and The Washington Post

## Right About Settlements

George Bush is being faulted for his diplomacy with the Israelis. He is said to have provoked an unnecessary and bruising quarrel by suggesting that Israel postpone its request for immigrant-absorption aid in order to allow the proposed Arab-Israeli peace conference to get fairly under way. As a result, in some quarters it is not Israel that is in the dock for its settlements policy — which is the real issue here, since West Bank settlements menace not just the launching but the conduct and conclusion of a peace conference. Mr. Bush is in the dock for his manner of dealing with a friend and ally.

This is backward. The problem of the West Bank settlements cannot be put aside any longer. For years, successive American administrations have rightly been urging Israel to curtail those settlements, pronouncing them illegal, subversive of peace or both. But particularly since 1977, when the right-wing Likud came to power, Israel has been expanding them, contemptuous of the pleas of Americans and others to save the issue for an Arab-Israeli negotiation.

Now such a negotiation is in prospect. As it happens, it is also a moment when Israel is

seeking \$10 billion in loan guarantees to resettle Soviet immigrants, in addition to the usual \$3 billion or more a year in direct aid. Even if not a penny of those loans goes to work in the West Bank, they release Israel's own funds for that purpose. This is what led the Bush administration to ask Israel to hold up its request for the guarantees. It wants the settlements issue resolved once and for all.

For his pains in trying to get Israel to take American interests seriously, President Bush is now patronized and accused of being obsessed with the settlements. But it is Prime Minister Yitzhak Shamir and his colleagues who are obsessed with the settlements — who put land above peace, and trifle with the historic mission of rescuing a million Soviet Jews. The relief of these immigrants is a large and worthy humanitarian cause in which the United States has proudly joined. But the direct use of these refugees, or the indirect use of funds made available to help them, to nail down possession of an occupied foreign territory is a political ambition in which the United States should have no part.

—THE WASHINGTON POST.

## Democracy in Hong Kong

On Sunday, Hong Kong's people finally got a chance to vote on their political future. Their message was clear. The overwhelming majority of candidates elected to the colony's Legislative Council favor more rapid expansion of democracy and more spirited resistance to intimidation from the Chinese Communist regime. The new representatives have limited powers. But Britain, which is still responsible for the colony until mid-1997, will be morally obligated to heed the voters' preferences.

Hong Kong has never been a democracy. British gunboats forced the Chinese emperor to hand it over a century and a half ago to punish him for moving against Britain's profitable opium trade. Britain has now agreed to hand back Hong Kong to the emperor's Communist heirs.

Since the June 1989 massacre in Beijing, Hong Kong residents, many of whom fled Communist China years ago, have grown anxious about the transfer. But Britain has acted as if it were dealing with the same

Beijing reformers it dealt with a decade ago. "Convergence," an effort to move toward post-1997 conditions before the turnover date, has been Britain's formula for smooth transition.

Sunday's main victors, the United Democrats of Hong Kong, made opposition to convergence the heart of their platform. They demand that Britain use its remaining years of legal control to promote democracy in Hong Kong — providing a strong defense against future attempts by the Communists to go back on their pledge to maintain Hong Kong's autonomy and capitalist way of life.

Britain's prime minister, John Major, visited the colony this month and promised to "safeguard Hong Kong's future, its prosperity and its freedom." He can give real content to those words by accelerating democratic changes that Britain can institute on its own, and by pressing Beijing hard over those requiring Chinese consent.

—THE NEW YORK TIMES.

## Confusion in Sweden

Sweden's voters have made it very clear that most no longer support the regime of broad social benefits and high taxes under which they have lived all their lives. But the election returns also show that most don't know where they want to go next. There is a curious parallel between the states of mind in Sweden, with the highest tax levels of any industrial democracy, and America, with the lowest. In both countries a majority wants lower taxes and smaller government but cannot decide how to deal with the expensive social commitments inherited from the past.

The United States for the last decade has been evading decisions, patching along with big deficits and trusting to foreign investors to finance them. A small country like Sweden hasn't the credit to afford that luxury, and it has been having a lot of trouble with inflation. The rate rose to 10 percent last year, and the government — Social Democrats — turned right to launch an austerity program. It has been a great success. In the sense that inflation is now zero. But the price has been a sharp recession, and that is no more popular in Sweden than anywhere else. It has meant severe losses not only for the Social Democrats but for the

center-right parties that worked with them. Sweden and the United States have both considered themselves the richest countries in the world, but both have been increasingly troubled by low economic growth, meager improvement in productivity and doubts about their ability to maintain their extraordinary standard of living. The appeal of free markets and the resentment of bureaucracy are running high in Sweden. But there are also plenty of people — the elderly and the industrial workers, in particular — who are well organized to fight any attempt to diminish their share of the pie.

The result has been fragmented and incoherent election returns, in which the main theme has been protest and the most startling winners have been two new parties on the right. No party has anything close to a majority. Coalitions and minority governments are nothing new to Sweden, but the depth of the disagreements among the parties suggests a rough ride ahead for the next government. Always an advanced society, Sweden is suffering an advanced case of the frustrations and discontents that most of the industrial democracies are now feeling.

—THE WASHINGTON POST.

## Let's Have an Argument

For weeks now, the best word to describe Democratic presidential candidates for 1992 was "former." One dropout followed another. Nunn, McGovern, Gephardt, Gore, Rockefeller. Now suddenly the field of eager candidates looks like the flight line at a major airport at rush hour. Former Senator Paul Tsongas of Massachusetts was for four months the sole candidate. Then Governor Douglas Wilder of Virginia launched his campaign last Friday. Senator Tom Harkin of Iowa took off on Sunday. And revving their engines on the taxiway are Governor Bill Clinton of Arkansas, Senator Bob Kerrey of Nebraska and former Governor Jerry Brown of California, among others.

To citizens dispirited by the endless 1988 campaign, that may sound like the Seven Dwarfs all over again. But this campaign cannot help but be much shorter. The New Hampshire primary is only five months away. More important, these candidates can provide what both their party and the public now need most: an argument.

The Democrats, who have occupied the White House for only four years since 1968, need to argue out what they stand for. And the public needs to argue out what America stands for. The collapse of communism creates a reverberating need to redefine America's enemies, and goals.

There have not in recent years been many illuminating arguments over compelling priorities — certainly not in the 1988 campaign, when Michael Dukakis won the Democratic nomination with a pledge of "good jobs for good wages" and George Bush won election with a campaign chiefly memorable for images of a paroled rapist and the flag.

Public concerns, however, are piling up. Among them are the widely felt disgust with politics; the need to reduce federal spending toward the future; the crippled health care system; the pressures on families, especially poor families; racial tension; and justice. Taken together, the Democrats on, and just off, the runway address all these concerns.

Mr. Tsongas stands against divisive racial politics and for realistic economics, although in terms that imply perfumed protectionism. Mr. Wilder, while standing up for civil rights, reaches out for general support. Mr. Harkin starts his campaign full of flags and fight on behalf of traditional working-class liberalism. Mr. Clinton offers a record of achievement in dealing with the problems of children and sets out a creative anti-poverty position. And Mr. Brown sounds like the Outsider Incumbent, speaking for people who feel disconnected from politics.

None of these candidates so far offers much of an international vision, implicitly acknowledging the strength of President George Bush's performance in handling the Communist world and the Middle East. None so far has been forced to face up to the need to pay for domestic reforms. All must be regarded as long, long shots.

Yet winning is not the only thing. Democrats may wish they had a better known, more powerful challenger, and Republicans may not like any of these messengers or their messages. But the arrival of all these candidates with something serious to say is a development that citizens of all political persuasions can only welcome, for America has a lot to talk about.

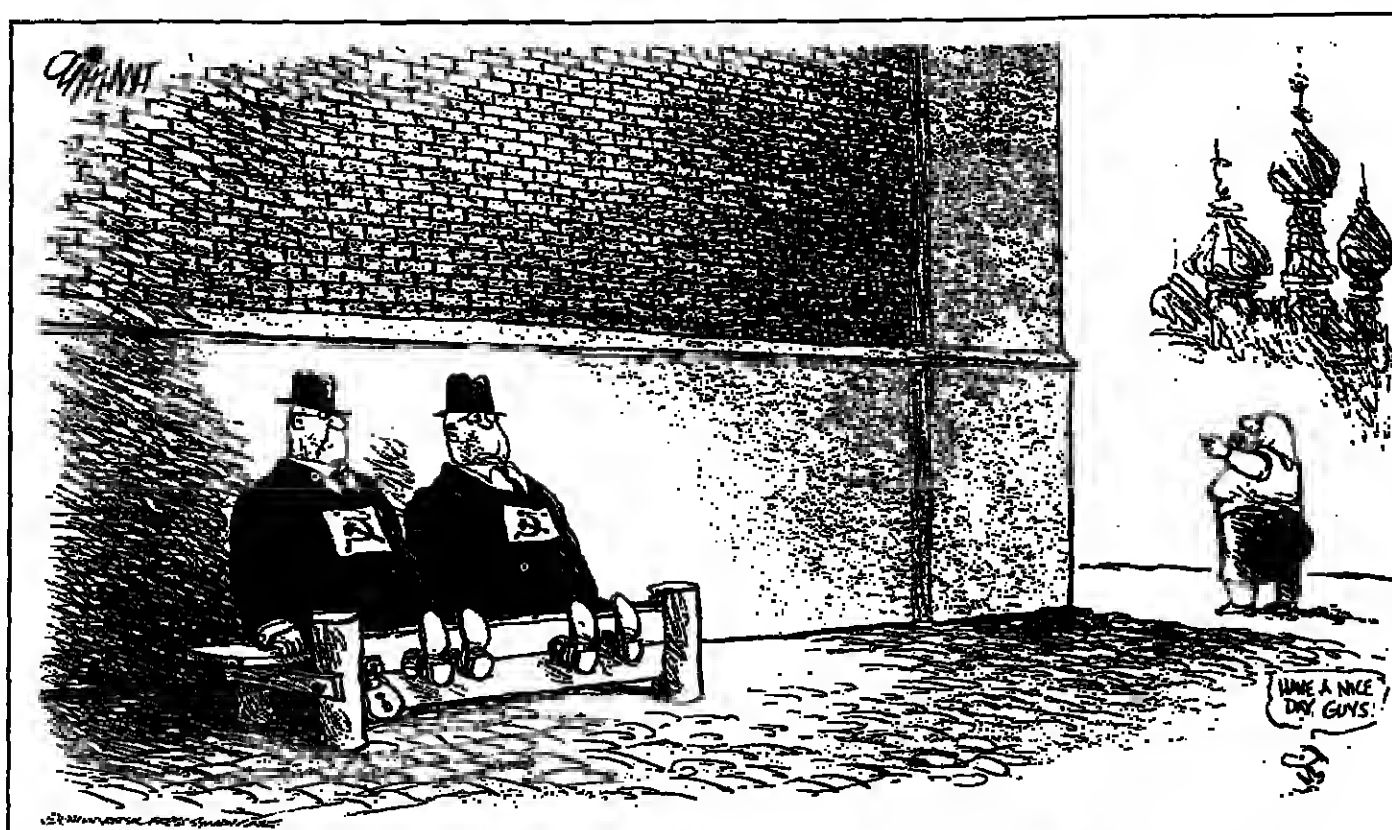
—THE NEW YORK TIMES.

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## OPINION



'Hey, everyone! Remember how we said we'd love to get our hands on those nasty little Commie apparatchik supervisors from the Heroic Peoples' Shirt Factory?'

## This Is No Time to Be Generous to Anti-Democrats

By Walter Laqueur

WASHINGTON — Mikhail Gorbachev and Boris Yeltsin have made known that there will not be a witch-hunt. The ringleaders arrested after the coup will be charged under four paragraphs of the Soviet criminal code. As for the others, God will be their judge, both leaders have said. A noble sentiment — but can the advocates of freedom in Russia afford it?

A great many people were involved in the political preparations for the coup, openly calling for the overthrow of the democratic order. Their identities are known and some have been denounced, but most continue their activities as before. Vladimir Zhirinovskiy, a demagogue who is president of the so-called Liberal Democratic Party, which fully endorsed the coup hours after it was announced, is back in politics.

Sovetskaya Rossiya, which published almost daily calls for an uprising, remains in business, as do most newspapers that supported the coup. The Writers Union, bulwark of the anti-democratic forces, has reiterated its stand in favor of the coup. Vasilii Belov and Valentin Rasputin, writers who signed the July manifesto calling for a patriotic dictatorship, did not have to face a harsh word from the authorities.

Similarly, according to the evidence I have seen, there have been no significant personnel changes in the major cities outside Moscow. Is it right to punish people for beliefs, however violently expressed? Is it not dangerous to make martyrs out of these desk-bound insurgents?

Before World War II, the Netherlands and Belgium were strong democracies. After the war, the fact of having subscribed to a collaborationist newspaper, let alone writing for one, was considered a criminal offense.

In France after the war, those who had closely collaborated with Vichy or the Germans were sentenced to "national indignity," which barred them from taking an active part in politics.

Today the anti-democratic forces are on the retreat and a new coup seems unlikely. But in a few months the euphoria will be forgotten and the democratic government will face enormous difficulties. It will again come under fire from some of the forces that tried to topple it before.

Again Boris Yeltsin and Mikhail Gorbachev and their followers will be accused of treason, of

selling out Russia's national interests, of trying to install social injustice, of incompetence and worse.

Whether the cause of freedom will prevail will depend on their wisdom, courage and steadfastness. But in the meantime they should not make life too easy for the enemies of democracy. There cannot be absolute freedom at a time of deep crisis, when democratic institutions only gradually are taking roots in Russian society. The Dutch, Belgian and French examples should be followed.

In 1923, Hitler staged an amateurish coup in Munich, which was easily put down. He went to prison for a year and a half to write "Mein Kampf." If the bullet that killed the man marching next to Hitler had made a martyr of Hitler, the lives of many millions might have been saved.

We all say that history does not usually repeat itself. Unfortunately, it sometimes does, and there are not a few cases when rebels have succeeded in their second or third attempt when given the chance. Churchill's maxim of "magnanimity in victory" has much to recommend it, but victory in Russia is at best years ahead.

The writer, author most recently of "Stalin," contributed this comment to The New York Times.

## Making the Arabs' Demands Is the Arabs' Business

By Charles Krauthammer

WASHINGTON — In March 1990, after months of delicate negotiations, the U.S. State Department had established the basis for direct talks between Israel and the Palestinians in Cairo. At which point, out of the blue, President George Bush raised the issue of Jewish "settlements" of Jerusalem.

This gratuitous undermining of Israel's claim to Jerusalem helped precipitate a crisis in Israel. (Not even the most moderate Israeli is prepared to make any part of Jerusalem off-limits to Jews.) The Israeli government collapsed, and the Cairo talks never took place.

Eighteen months later, Mr. Bush has done it again. After months of delicate negotiations, the State Department had established the basis for direct talks between Israel and the Arab states. At which point, out of the blue, President Bush announced that he would veto any congressional attempt to guarantee loans to Israel for the absorption of Soviet immigrants.

The president demanded a 120-day delay for consideration of the loans out of concern for the peace process. Granting the guarantees now, he said, would jeopardize the upcoming peace conference.

This is nonsense. Not a single Arab state — not Syria, not Egypt, not Jordan — has made withholding the loan guarantee a condition for participation in the conference. Nor has a single Arab state made an Israeli settlement freeze a condition for attending the peace conference. On the contrary: Secretary of State James

Baker's major breakthrough was obtaining Arab agreement to enter talks with Israel unconditionally.

What possible reason can an American president have to create new conditions that no Arab insists on?

Of course, now it will be difficult for any Arab not to be as tough on Israel as the president of the United States. Predictably, two days after the president's press room outburst against Israel, Syria, which two

months ago had agreed to direct talks without preconditions, picked up the hint and warned that the loan guarantee would doom the chances for peace. Far from saving the peace process, Mr. Bush's linkage between American loan guarantees and Arab-Israeli negotiations could wreck it.

His real reason for withholding the guarantees is to use them as a club to force Israel to stop West Bank settlements, which have become a presidential obsession. While the Soviet Union collapses, Saddam Hussein rovers and the American economy sputters, the one thing that seems to stir the passions of this president is the number of Jews living on the godforsaken hills of the Judean desert. (It is a small number indeed. If Israel contin-

ues to settle the occupied territories at the rate of the last 25 years, their Jewish population will equal the current Arab population in 412 years.) Mr. Bush's obsession is not just irrational. It leads him to policies that are deeply contrary to the American national interest. America's interest — and Mr. Bush's goal for the area — is Arab-Israeli peace. How does one get to it? We already know. The only way to get peace is the way Egypt and Israel did in 1979: Egypt made a genuine, indeed radical, offer of peace; Israel reciprocated with a radical offer on territory.

True, a majority of Israelis are today not prepared to cede territory on the West Bank. But remember: For years a majority of Israelis opposed giving back Sinai to Egypt. But when Anwar Sadat came forward and offered real peace, it caused a revolution in Israeli public opinion on the issue. Similarly, if the Arabs came forward with a genuine, Sadat-like offer of peace, it would cause a revolution in Israeli public opinion about the West Bank and permit far-reaching Israeli compromise.

That is the only road to peace. It will not be traveled, however, so long as the Arabs think they can get the West Bank back for free. If Mr. Bush is going to deliver it to them by pressuring Israel, what possible incentive do they have to make a far-reaching peace offer to Israel?

And in the absence of such an offer, no Israeli in his right mind is

going to jeopardize Israel's existence with unilateral concessions on the West Bank — no matter what the pressure from Washington.

The Arabs know that there are only two ways to get what they want from Israel: One is to deal with Israel directly and offer peace. The other is to let Uncle Sam do it. It is natural for the Arabs to prefer Route 2. But it is Route 1 that serves American interests. Why? Because it is the only one that leads to peace.

How do we know? The historical evidence is unmistakable. Israel has twice given Sinai back to Egypt. One return led to the war, the other to peace. The first time was in 1957, when Dwight Eisenhower pressured Israel into withdrawing from Sinai in return for vague guarantees from the United States. Egypt offered nothing. Israel complied, and 10 years later Egypt, having made no concession toward accepting Israel's existence, used Sinai to blockade Israel and started the 1967 Arab-Israeli war.

In 1979 the United States did it differently. Egypt made a genuine offer of peace to Israel. Israel reciprocated by returning all of Sinai. America acted as broker, not as an agent for Arab demands. It is 12 years later, and Egypt and Israel are at peace.

The rules of peace-making in the Middle East are very clear. If the Arabs want to bring from Israel concessions on the territories, they must offer an end to their 45-year-old war on the Jewish state. So long as Mr. Bush does the wronging, why should they?

Washington Post Writers Group.

## Washington's Intelligence Machine Isn't Working

By Jim Hoagland

WASHINGTON — The bearings on Robert Gates's nomination to the job of director of the Central Intelligence Agency opened this week as Serbia went for broke in its war to force Yugoslavia's remnants into a Serbian empire. Distant and immediately unrelated, these events echo off each other and etch the outlines of the definitional crisis that America's intelligence establishment faces today.

In the looking-glass world of espionage, the Yugoslav tragedy is one of the CIA's finest analytical successes. Nearly a year ago the agency concluded that the breakup was inevitable. Analysts wrote that the United States should exert energy and influence to encourage a bloodless coming apart of a decaying totalitarian regime.

That position was argued at length in interagency meetings. As a result, the U.S. government did, well, absolutely nothing. The State Department insisted that a Yugoslav breakup was against U.S. interests. It therefore could not be allowed to happen. When it happened anyway, the Bush administration retreated into a policy of letting Europe take care of a tragedy that Europe is incapable of resolving.

In considering Mr. Gates to be director of the Central Intelligence Agency, the Senate intelligence committee should look not only at the known failures of the CIA. The committee should also look at why intelligence successes have produced no measurable outcome in recent important foreign policy challenges.

By connecting the threads of successes and failures that leave American policy equally adrift, the committee can identify what has gone wrong with a government that seems frozen in a constant state of surprise.

The senators can then determine if Mr. Gates is the man to reanimate the intelligence component of a policymaking system that has stood like a deer caught in headlights as German unification, Iraq's invasion of Kuwait, Yugoslav fratricide and Soviet collapse hurled headlong down the road.

There is something fundamentally wrong with a system that provides the administration with the essential facts but consistently produces the wrong policy conclusions. That happened in Yugoslavia, in Iraq and to some extent in the Soviet Union.

This administration's inability or willful refusal to think the unthinkable is a major part of the problem. If the senators dig, they will find that some intelligence officials have been trying unsuccessfully since the beginning of the year to get Mr. Gates, his boss at the National Security Council, Brent Scowcroft, and others to modify their collective "cognitive" view of the Soviet Union.

We know less about the CIA's reporting on the Soviet camp and the continuing transformation of that country into Russia and Associated Republics than we do about the intelligence community's performance on Iraq last year, but something similar seems to have happened.

The agency was fully aware of Iraq's buildup on Kuwait's border, just as it was aware of the open threats by the Kremlin's old guard against Mikhail Gorbachev and Boris Yeltsin. It monitored both crises as they came to the boiling point and said, in effect: It won't happen. Neither Saddam Hussein nor the Soviet old guard would be crazy enough to take such chances.

That reinforced, I suspect, what George Bush and his men wanted to hear: Mr. Gates's role as chairman of the Deputies' Committee interagency process and as the effective director of the NSC staff was crucial in screening out the unthinkable.

Washington had the facts; but it also had heavy policy investments in Saddam Hussein and in Mikhail Gorbachev. The investments operated as blinkers on its vision.

Still unreported is the story of the intelligence failure at the end of the war with Iraq that left far more Iraqi Republican Guard units and troops operating as combat units in southern Iraq than Norman Schwarzkopf and Colin Powell realized or reported to the White House. Again the White House was told what it wanted to hear as the gimmicky 100th-hour finish to the war approached. Iraq's Shiites paid the price of that failure.

Senator David Boren, the thoughtful and deliberate Oklahoma Democrat who chairs the intelligence committee, has suggested that the outcome in Iraq shows the need for greater reliance on "human intelligence" — rather than on communications and satellite technology. He implied that if America could have got closer to Saddam and learned his intentions it would have done the right thing.

Maybe. Somehow I think this system would still have found its way out of the intelligence community's dissonance on Saddam's secret intentions — which were not in fact that secret. The pressure from the top to treat Saddam as a difficult but necessary bulwark against Iran was so strong that a mere

going to jeopardize Israel's existence with unilateral concessions on the West Bank — no matter what the pressure from Washington.

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Washington Post Writers Group.

field agent's flash would probably not have turned Washington around.

In a brilliant disquisition, Senator Daniel Patrick Moynihan of New York warned Mr. Gates that the CIA would be less important to future presidents than the Small Business Administration if it did not change its ways and mind-sets. That must be a sobering thought for Mr. Gates, and for the senators who have to decide if he is the man to make those changes.

The Washington Post.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1891: Farce at the Opera

PARIS — Demonstrations against Wagner's masterpiece "Lohengrin" in the Opera house, in the form of stink-pots, were attempted, but the precautions taken were more than sufficient to draw a large crowd. Arrests were made in numbers. There seems to have been an idea among the police that those who wore straw hats were more culpable than others. This was unfortunate for those endeavoring to wear out their summer headgear. A fire hose with cold water or a professional Texan rain-producer would have amply sufficed to disperse the childish demonstrators. It is a pity so much was made of so little.

### 1916: A French Victory

PARIS — Yesterday (Sept. 18) was another big day for the great Franco-British offensive on the Somme. Delecloux was completely encircled, and finally succumbed to the French attack. The remnant of German

## The Money Is Needed Elsewhere

By Leslie H. Gelb

NEW YORK — Senator Sam Nunn's Armed Services Committee and the Senate cut perhaps \$100 million from the administration's military budget request of \$290.8 billion. Representative Les Aspin's Armed Services Committee and the House did about as much to protect that budget for the fiscal year beginning next month. With accounting adjustments and the like, the reductions equal about one red cent.

The cuts rank among the very smallest since 1945. They come at that very moment in history when the Soviet threat has collapsed, when the U.S. deficit soars toward \$2 trillion and when America is falling apart.

Why can't Democratic leaders find more than one red cent to cut up from the 1992 budget nearing final passage? Why, when even President George Bush — rebuffing Defense Secretary Dick Cheney — speaks of "red opposition" for a vastly restructured national security posture, do so many Democrats still speak with such caution about future defense budgets?

Try politics and politics. Democrats still seem to wilt under charges of being soft on defense and tremble from the memory of their wrongheaded opposition to the Gulf war. And they wilt and tremble just when world events should make them bold and visionary, and when Americans are ready to reorder defense and domestic priorities.

The Democrats have another political reason for being timid on the Pentagon's 1992 budget. They made a costly political budget deal with the White House last year that destroyed their political incentive to cut defense. The agreement effectively barred Democrats from shifting money from arms to unemployment benefits and highways.

A Pentagon dollar saved could be applied only to deficit reduction. And for all the Democrats' yammering about the importance of slicing the deficit, they saw little political payoff in transferring money to a Treasury budget account. In this way the Pentagon budget ceiling, as worked out with the White House, became a floor as well.

George Mitchell, the Senate majority leader, says he is willing to reopen the deal and hit defense, but House Speaker Tom Foley thinks it is too late and too hard to beat a presidential veto. Mr. Nunn and Mr. Aspin agree with Mr. Foley and have no reason for holding the line. They helped Mr. Cheney set the Pentagon ceiling for 1992 and feel queasy about further force reductions.

The two chairmen say they are satisfied for now with the Cheney plan to draw down U.S. forces by 25 percent over six years. But those levels were decided upon before the failed coup in Moscow and before the virtual implosion of the Soviet government and military establishment.

Mr. Nunn promises to look at the Soviet threat again, but not before the 1993 budget. Mr. Aspin agrees and went further on Tuesday by outlining standards for making larger cuts than planned. He says he will propose new cuts for next year only if there are reasons for holding the line.

Does Mr. Aspin fear that unless these cuts are virtually dismantled, Soviet factories will crank up and Soviet armies will invade Europe? No, he says, because the withdrawal of Soviet forces from Europe and the collapse of the Warsaw Pact are irreversible. Well, if these are irreversible, what is he worried about, a Soviet attack on China?

He clearly does worry about the 30,000 Soviet nuclear weapons. Well, that number will soon be halved, and the United States still has its matching power. Besides, what are the Soviets going to do, threaten nuclear war to get more Western corn?

The demise of the Soviet Union does not suspend the laws of mutual deterrence. It opens the gates to further cuts in nuclear arms to go along with the massive cuts in Soviet conventional forces under way. Arms, Congress! Arise, moderates and liberals! You have your country to save and nothing to lose but your seats.

The New York Times.

### 1941: Russia Desperate

LONDON — [From our New York edition:] An ominous warning that Russia must have a flood of war supplies immediately or face military disaster came tonight (Sept. 18) from a London source. With the Crimea cut off and the Red Army's losses in men and tanks astronomical, this informant said a Niagara of British and American material is essential to continue the resistance. He predicted that Adolf Hitler would offer the Russians a separate peace, and that the Russians might be forced to lay down their arms. "The whole history of this battle," he said, "will fight on, even if Russia is beaten, but our task then will become much harder."



## OPINION

## These Guys' Campaigning Is at Least Good for Laughs

By George F. Will

WASHINGTON — Former Governor Jerry Brown of California, Governor Douglas Wilder of Virginia and Senator Tom Harkin of Iowa last week started campaigning for president. Since then, enough time has passed to make a judgment on all three: Stop.

If Mr. Brown had a reputation for seriousness, he would have lost it in Las Vegas, addressing the Laborers International Union convention. "Crack" was invented under Reagan and Bush. They deregulated cocaine; that was their supply-side economics. Now every kid in America can buy that stuff.

Pausing in mid-rant, he asked: "You think that was a cheap shot? Well, in some ways it is." However, he says, there was U.S. aid to Panama while Manuel Noriega was in power.

Mr. Brown is campaigning against "a confederacy of corruption, cronyism and campaign consulting." Alliteration worked for Republicans in 1952 ("Communism, Korea and Corruption") and 1972 ("Acid, Amnesty and Abortion"). But before Mr. Brown announces himself clean as a hound's tooth, he should note that the union before which he gave \$1.4 million to congressional candidates was described in the 1986 report of the President's Commission on Organized Crime as tainted by mob influence.

Asked if he considered that union part of the problem, Mr. Brown said, "We're all part of the problem." He helps all other candidates too relatively serious. Mr. Wilder needs even more help. His plan to "Put America First" involves three parts, the first of which is disarmament and demonstrably implausible, and the other two depend on it.

He would reduce federal spending by \$50 billion. Half the cut would be perfectly painless, coming, you see, from eliminating something that has no constituency — "wasteful administrative expenditures." Not a novel idea, that. Ronald Reagan promised a painless windfall from eliminating no particular program, just "waste, fraud and abuse."

Mr. Wilder's other \$25 billion would come from unspecified cuts of "less necessary" programs. If significant constituencies did not consider the programs necessary, he might risk specifying them.

Mr. Wilder is not promising to reduce the deficit. He wants to shuffle \$50 billion

around, giving \$35 billion in — surprise! — tax breaks for the middle class, and \$15 billion in grants to state and local government. Mr. Harkin has a more traditional plan for paying for domestic programs: cut the defense budget about 60 percent. It is a McGovernite tradition, except that George McGovern promised only a one-third cut.

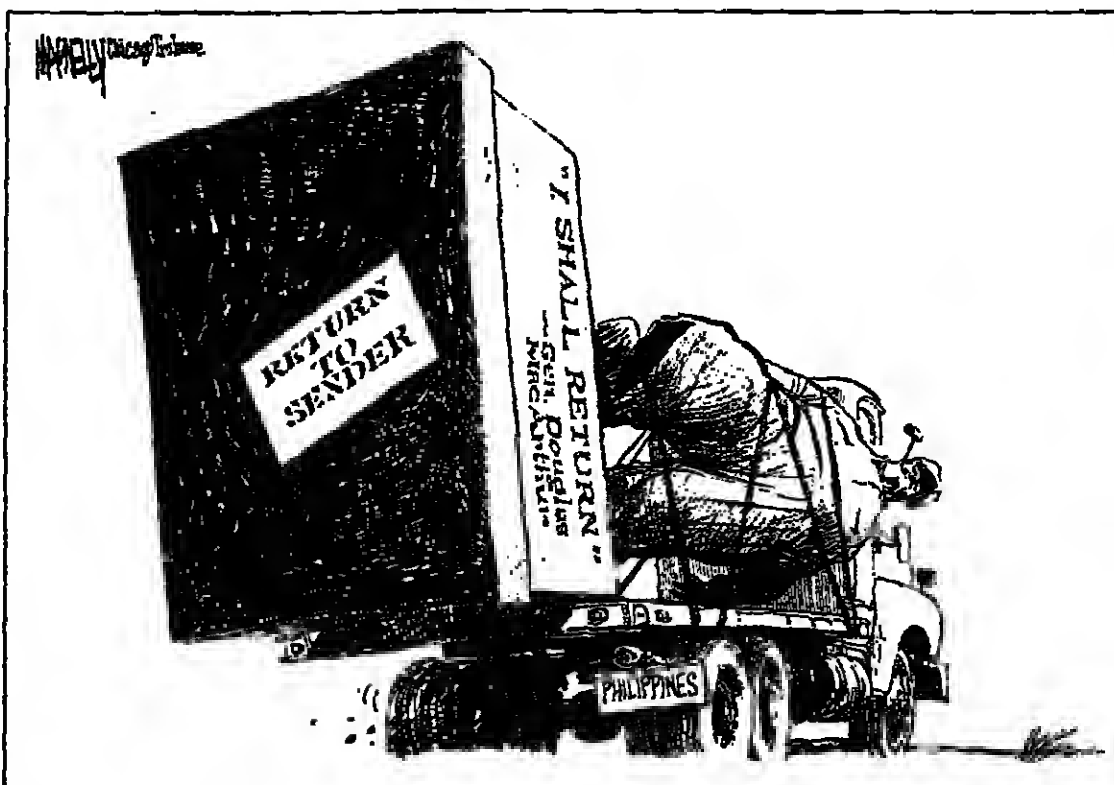
Mr. Harkin says, "Stop spending \$160 billion a year for Europe's defense." Putting a precise number on the cost of the commitment to Europe is problematic because U.S. military assets have multiple assignments. However, he is not one to let such a nuance spoil a spicy sentence. Besides, he opposed Desert Storm, and his cuts would make another such undertaking impossible.

(Ten divisions — four in Europe, six at home — are still earmarked for Europe's defense. Six of the 10 were deployed in the desert and two others were involved in training for Desert Storm. Mr. Harkin would have to demobilize them — and slash much more — to get his \$160 billion. Even the Bush administration's downward slope of defense spending — a 25 percent force structure reduction in four years — would make another Desert Storm extremely difficult.)

Mr. Harkin launched his campaign for us government the very day even the Swedes joined the worldwide flight from Sweden, voting the socialists out of power. Milking the self-pity of the middle class is evidently what passes for "progressivism" nowadays. Mr. Harkin says the middle class is oppressed. Citizen Harkin says Mr. Bush and other plutocrats are inciting "class against class." Mr. Harkin is against that, or will be when the last number has carried the last Andover graduate to the guillotine.

Lots of candidates enjoy lord it over everyone because of their humble origins. When Mr. Harkin goes into his humble-thou routine, backward reels the mind, back to 1980, when supporters of Mr. Reagan denounced Mr. Bush as a "clean-fingernails Republican." In 1988, Mr. Bush and Bob Dole had a folksiness contest which Mr. Bush won (by my scoring) when he announced that he is a bowling alley kind of guy, and drove a truck around a parking lot. This year, let's all root for any Democrat who won't touch a bowling ball or drive a truck.

Washington Post Writers Group.



## LETTERS TO THE EDITOR

## Lots of Candidates for Help

Regarding "Americans Don't Take Harkins" (Opinion, Sept. 10):

"Decent people," William Safire writes, "can disagree about the West Bank, but humanitarian aid delayed is aid denied." Congress should tell Mr. Bush that Americans are a principled people. We don't hold anybody hostage.

If Mr. Safire is concerned about humanitarian aid for the region, why ignore the need to help Palestinians who fear that they may lose what is left of their homeland as more immigrants settle in the occupied West Bank?

Another real concern is whether the United States can afford new aid guarantees when its needs are so great at home. How about a \$10 billion aid guarantee to help America's homeless?

DALE OTT

Geneva

I cannot understand Mr. Safire's logic. The Israelis have been holding some one million Palestinians hostage since 1967 in the West Bank and Gaza; they

have been discriminated against, humiliated and made to suffer. Israel ignores UN resolutions and international requests for it to pull out of the occupied territories. Mr. Safire wants American taxpayers to pay bills for Soviet immigrants, but communism is dead and there is no longer urgency for Soviet Jews to leave country. Americans might better apply their money to bailing out savings and loans associations.

O. NAAMAN

Villeneuve-Loubet, France

Regarding "Bush's War on Israel Isn't Smart" (Opinion, Sept. 10):

In arguing that it is immoral to refuse aid for constructing housing for Russian Jews in Israel, Leslie H. Gelb and Prime Minister Yitzhak Shamir open a can of worms. Even more morally reprehensible would be using Russian Jews as demographic cannon fodder in creating a situation that can degenerate into a future war.

Loan guarantees are one thing, but where is the guarantee for peace?

E. M. EVLETH

Paris

## Heirs of the Czar

The "People's" item of Sept. 14 about one Alexei Brumel allegedly offering President Boris Yeltsin the title of grand duke obviously was printed in a lighthearted spirit. There is, of course, no such thing as a "regent of the exiled Russian monarchy," as Tass is implied to have identified him. And Alexis Brumel, or Brumel, is well known for his quite remarkable claims not only to represent the heirs of Czar Nicholas II but to be himself the heir.

There is a real Russian grand duke today, but only one. He is Vladimir Kirillovich, unquestionably the head of the Imperial House of Romanov and, as it happens, an admirer of Mr. Yeltsin, to whom he recently sent a letter of support.

Needless to say, Grand Duke Vladimir did not offer to make Mr. Yeltsin a grand duke. Any such offer would be an impossibility that would embarrass both parties.

DERK KINNANE-ROELOFSA

Paris

## ADVERTISEMENT

## INTERNATIONAL FUNDS

Sept. 18, 1991

Qualifications supplied by funds listed. Not asset values or percentages are supplied by the funds listed with the exception of some assets based on issue price. The international symbols indicate frequency of allocations: A = monthly; W = weekly; B = bi-monthly; F = quarterly; L = twice weekly; M = monthly.

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Arab Bank Ltd. (UK) Plc. (1981-1982)	100.00	100.00
Arab Bank Ltd. (UK) Plc. (1981-1982)	100.00	100.00
Arab Bank Ltd. (UK) Plc. (1981-1982)	100.00	100.00
Arab Bank Ltd. (UK) Plc. (1981-1982)	100.0	











## MARKET DIARY

## Program Buying Brings Stock Gain

United Press International  
NEW YORK — A late round of program buying boosted prices in light trading on the New York Stock Exchange on Wednesday.

The blue-chip Dow Jones industrial average, which slipped 2.02 points on Tuesday, rebounded 4.70, to 3,017.89.

Among broad-based gauges, the New York Stock Exchange index

gained 0.69, to 212.23, and Standard & Poor's 500-stock index rose 1.44, to 386.94. An average NYSE share rose 11 cents. American Stock Exchange issues were mixed but over-the-counter stocks were higher.

Advances topped declines by a 5-4 ratio as volume fell to 141.28 million shares from 168.37 million traded on Tuesday.

A small round of program buying, related to upcoming derivatives expirations on Friday, lifted the Dow industrial average into the plus column in the final minutes of

trading. On Friday, stock-index futures, stock-index options and options on individual stocks will expire in the so-called triple-witching hour. These expirations often touch off volatile price movements.

Stocks had spent most of the session on the downside as aggressive buyers were scared off by growing tensions in the Middle East.

Schlumberger paced the Big Board activity, falling 2 1/2 to 66 1/2 after several analysts cut earnings estimates for the company.

Telefonica de Espana's American depositary receipts followed, rising 1 1/2 to 32. The Spanish telephone company said it plans to amend its dividend policy, linking payouts to profit.

Beazer's ADRs were third, unchanged at 8 1/2.

Consolidated Freightways fell 1 1/2 to 134 after the company announced it is continuing to feel the effects of the recession and expects a third-quarter loss.

## The Dow

Daily closings of the Dow Jones industrial average

3100

3050

3000

2950

2900

2850

2800

2750

2700

2650

2600

2550

2500

2450

2400

2350

2300

2250

2200

2150

2100

2050

2000

1950

1900

1850

1800

1750

1700

1650

1600

1550

1500

1450

1400

1350

1300

1250

1200

1150

1100

1050

1000

950

900

850

800

750

700

650

600

550

500

450

400

350

300

250

200

150

100

50

0

Sept. 18

Sept. 19

Sept. 20

Sept. 21

Sept. 22

Sept. 23

Sept. 24

Sept. 25

Sept. 26

Sept. 27

Sept. 28

Sept. 29

Sept. 30

Oct. 1

Oct. 2

Oct. 3

Oct. 4

Oct. 5

Oct. 6

Oct. 7

Oct. 8

Oct. 9

Oct. 10

Oct. 11

## Dow Jones Averages

Open High Low Close Chg.

Indus. 3017.89 3024.49 3017.89 3017.89 +4.70

Comp. 212.23 212.23 212.23 212.23 +0.69

NYSE 386.94 386.94 386.94 386.94 +1.44

AMEX 100 100 100 100 +0.11

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

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Telefonica 1171 1171 1171 1171 +1 1/2

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Telefonica 1171 1171 1171 1171 +1 1/2

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NYSE Most Active

Vol. High Low Last Chg.

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Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

Consolidated Freightways 1171 1171 1171 1171 -1 1/2

NYSE Most Active

Vol. High Low Last Chg.

Schlumberger 2281 2281 2281 2281 -2 1/2

Telefonica 1171 1171 1171 1171 +1 1/2

Beazer 1171 1171 1171 1171 0

## EUROPEAN FUTURES

Class High Low Prev. Close

Food

SUGAR (FOX)

U.S. dollars per metric ton of 36 tons

Oct. 2000 2000 2000 2000 2000

Nov. 2000 2000 2000 2000 2000

Dec. 2000 2000 2000 2000 2000

Jan. 2001 2000 2000 2000 2000

Feb. 2001 2000 2000 2000 2000

Mar. 2001 2000 2000 2000 2000

Apr. 2001 2000 2000 2000 2000

May 2001 2000 2000 2000 2000

Jun. 2001 2000 2000 2000 2000

Jul. 2001 2000 2000 2000 2000

Aug. 2001 2000 2000 2000 2000

Sep. 2001 2000 2000 2000 2000

Oct. 2001 2000 2000 2000 2000

Nov. 2001 2000 2000 2000 2000

Dec. 2001 2000 2000 2000 2000

Jan. 2002 2000 2000 2000 2000

Feb. 2002 2000 2000 2000 2000

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May 2003 2000 2000 2000 2000

Jun. 2003 2000 2000 2000 2000

Jul. 2003 2000 2000 2000 2000

Aug. 2003 2000 2000 2000 2000

Sep. 2003 2000 2000 2000 2000

Oct. 2003 2000 2000 2000 2000

Nov. 2003 2000 2000 200



## NASDAQ

Wednesday's Prices  
NASDAQ prices as of 4 p.m. New York time.  
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Stock	Chg	High	Low	Open	Close
IBM	+	115.25	114.75	115.00	115.25
Microsoft	+	55.00	54.50	54.75	55.00
Oracle	+	45.00	44.50	44.75	45.00
Intel	+	35.00	34.50	34.75	35.00
Apple	+	25.00	24.50	24.75	25.00
Compaq	+	15.00	14.50	14.75	15.00
HP	+	10.00	9.50	9.75	10.00
Motorola	+	5.00	4.50	4.75	5.00
Texas Instruments	+	4.00	3.50	3.75	4.00
Advanced Micro Devices	+	3.00	2.50	2.75	3.00

Stock	Chg	High	Low	Open	Close
Alcatel	+	11.00	10.50	10.75	11.00
Alstom	+	10.00	9.50	9.75	10.00
Bois de France	+	9.00	8.50	8.75	9.00
Bois de France	+	8.00	7.50	7.75	8.00
Bois de France	+	7.00	6.50	6.75	7.00
Bois de France	+	6.00	5.50	5.75	6.00
Bois de France	+	5.00	4.50	4.75	5.00
Bois de France	+	4.00	3.50	3.75	4.00
Bois de France	+	3.00	2.50	2.75	3.00
Bois de France	+	2.00	1.50	1.75	2.00

Stock	Chg	High	Low	Open	Close
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50
Bois de France	+	-3.00	-3.50	-3.25	-3.00
Bois de France	+	-3.50	-4.00	-3.75	-3.50

Stock	Chg	High	Low	Open	Close
Bois de France	+	4.00	3.50	3.75	4.00
Bois de France	+	3.00	2.50	2.75	3.00
Bois de France	+	2.00	1.50	1.75	2.00
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00

Stock	Chg	High	Low	Open	Close
Bois de France	+	2.00	1.50	1.75	2.00
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50
Bois de France	+	-3.00	-3.50	-3.25	-3.00

Stock	Chg	High	Low	Open	Close
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50
Bois de France	+	-3.00	-3.50	-3.25	-3.00
Bois de France	+	-3.50	-4.00	-3.75	-3.50

Stock	Chg	High	Low	Open	Close
Bois de France	+	3.00	2.50	2.75	3.00
Bois de France	+	2.00	1.50	1.75	2.00
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50

Stock	Chg	High	Low	Open	Close
Bois de France	+	2.00	1.50	1.75	2.00
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50
Bois de France	+	-3.00	-3.50	-3.25	-3.00

Stock	Chg	High	Low	Open	Close
Bois de France	+	1.00	0.50	0.75	1.00
Bois de France	+	0.50	0.00	0.25	0.50
Bois de France	+	0.00	-0.50	-0.25	0.00
Bois de France	+	-0.50	-1.00	-0.75	-0.50
Bois de France	+	-1.00	-1.50	-1.25	-1.00
Bois de France	+	-1.50	-2.00	-1.75	-1.50
Bois de France	+	-2.00	-2.50	-2.25	-2.00
Bois de France	+	-2.50	-3.00	-2.75	-2.50
Bois de France	+	-3.00	-3.50	-3.25	-3.00
Bois de France	+	-3.50	-4.00	-3.75	-3.50

## Education Spending Up In Tight French Budget

Compiled by Our Staff From Dispatches  
PARIS — The French cabinet approved a cautious, tightly controlled 1992 budget Wednesday that tucks spending toward President Francois Mitterrand's priorities of education and research.  
Although Finance Minister Pierre Bérégovoy said he expected France to grow faster than most industrial countries in the next 12 months, the government decided not to take any chances with its growth and revenue forecasts, said Culture Minister Jack Lang, who doubles as government spokesman.  
The 1992 budget, which goes to the National Assembly, calls for spending of 1.33 trillion francs (\$234 billion), up 3.1 percent from 1991.  
The government will raise spending on education by 5.7 percent and on research by 5.9 percent. The relatively small environment budget will jump 13.6 percent.  
Defense spending will go up by only 1 percent — not enough to keep up with inflation.  
The cabinet was told that experts expected 2.4 percent growth but chose to be prudent and budget for just 2.2 percent, Mr. Lang said.  
The government wants to avoid a repeat of its frantic search this year for 26 billion francs in spending cuts and new income to offset a shortfall in taxes caused by slow growth. Growth this year is expected to be 1.4 percent rather than the rate of 2.7 percent initially predicted.  
The task of the budget was to tackle unemployment, now at a high 9.5 percent, by making companies more competitive. One of the main features of the 1992 budget is a cut in the rate of corporate income tax, to 34 percent from 42 percent, for profits that are not reinvested.  
The budget for capital injections for state-controlled companies will rise to 5.6 billion francs from 4.4 billion francs in 1991, Mr. Lang said. Expected sales of parts of these companies to private interests were not included in budget calculations.  
Following a pledge by Mr. Mitterrand, there will be no net tax increase.  
The 3.1 percent rise in government spending in the 1992 budget is only slightly more than the likely 2.8 percent rise in prices, and the deficit is set at 89.5 billion francs, 1.26 percent of gross domestic product.  
The budget contained few surprises for financial markets. Stocks fell, with the CAC-40 index off 9.01 points, to 1,869.41, but this was mostly attributed to profit-taking. Defense issues were hit by the modest military spending increase.  
Bonds initially rose on the idea the deficit would not get out of hand, but they gave up their gains on weakness in the U.S. bond market. The dollar rose to 5.7375 francs from 5.6900.  
(Reuters, AP)

## MARK: Schlesinger Optimistic

(Continued from Page 1)  
Germans in general, low raw materials prices and more moderate economic growth.  
But Mr. Schlesinger warned that Germany still faced major inflationary dangers, the greatest, he said, being excessive wage demands. Planned tax increases would also be inflationary, not least because unions might incorporate them in their claims. Drought in parts of Germany could also push up food prices.  
Mr. Schlesinger emphasized that his primary focus was on the underlying rate of inflation, meaning the rate stripped of incidental or statistical factors.  
"The actual rate could be somewhat worse at the end of the year or in January but the underlying rate is in the area of 4 percent," he said. He said, however, that 4 percent was still too high.  
The actual rate reached 4.4 percent in July and slipped back to 4.1 percent in August.  
As for the monetary situation in Eastern Germany, Mr. Schlesinger said, "We do not have anything special to complain about," adding that the people are saving funds "in very traditional forms." In the early stages of reunification, there had been fears that heavy consumer spending in Eastern Germany might have stoked overall inflation but most East Germans have instead proven to be fairly cautious with their funds.  
Mr. Schlesinger said he was more concerned about the psychology of consumers and investors regarding inflation than about the inflation numbers themselves.  
"Above all, inflationary expectations must not take hold in the population and so far this has not happened in Germany," he said. Such a mentality makes people tend to invest more in goods than to save, prompting price rises in the real estate and construction markets based purely on anticipation of inflation.  
But he maintained that Germans were continuing to operate on the basis of their long experience with low inflation even though "the long-term experience has generally been better than the current situation is."  
He noted that the opposite was the case in the United States.  
"There are still strong expectations of inflation in the minds of Americans in spite of the fact that there has been a sharp drop in inflation rates," he said.

## CHINA: Slow-Motion Economic Change Powered by Local Governments

(Continued from first finance page)  
change rate is important in pricing imports and exports appropriately, and in this respect China is well ahead of many other developing countries that enormously overvalue their exchange rates.  
A year ago, Mr. Li agreed to a plan to allow the Foreign Exchange Control to make tiny, daily adjustments to the exchange rate, according to a Chinese official. The purpose apparently was to save companies from having to accommodate large jumps in the exchange rate.  
But it also meant that China's exchange rate began to operate almost as a managed floating exchange rate. In fact, the rate has gradually risen 2 percent in the last 10 months.  
These days, many companies trade their dollars legally on the swap markets, where last month, 5.8 yuan could be changed for one dollar, essentially a market rate.  
Last year, a total of \$13.16 billion was traded in 100 such official exchange centers, compared with \$8.57 billion in 1989. In the first half of this year, \$8.75 billion passed through swap centers, according to an article last month in the English-language China Daily newspaper.  
Companies still have to give a portion of their foreign exchange export earnings to the government, but now, much of those earnings are converted into local currency at the swap market rate, which offers a greater incentive to export.  
In return for this benefit, however, the government this year began slowly reducing export and import subsidies, in part because it could no longer afford the swelling payments.  
Some of the most important measures in the last two years involved raising fixed prices for food

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40	1990	1991
1700	2700	1800	1700	1800
1625	2625	1725	1625	1725
1550	2550	1650	1550	1650
1475	2475	1575	1475	1575
1400	2400	1500	1400	1500
1325	2325	1425	1325	1425
1250	2250	1350	1250	1350
1175	2175	1275	1175	1275
1100	2100	1200	1100	1200
1025	2025	1125	1025	1125
950	1950	1050	950	1050
875	1875	975	875	975
800	1800	900	800	900
725	1725	825	725	825
650	1650	750	650	750
575	1575	675	575	675
500	1500	600	500	600
425	1425	525	425	525
350	1350	450	350	450
275	1275	375	275	375
200	1200	300	200	300
125	1125	225	125	225
50	1050	150	50	150
0	975	75	0	75
Exchange	Index	Wednesday Close	Prev. Close	% Change
Amsterdam	CBS Trend	91.80	92.20	-0.43
Brussels	Stock Index	5,540.45	5,559.01	-0.33
Frankfurt	DAX	1,628.07	1,634.55	-0.40
Frankfurt	FAZ	675.16	676.60	-0.21
Helsinki	HEX	901.10	906.40	-0.58
London	Financial Times 30	2,007.10	2,037.40	-1.49
London	FTSE 100	2,583.60	2,594.40	-0.42
Madrid	General Index	272.61	271.83	+0.29
Milan	MIB	1,072.00	1,059.00	+1.23
Paris	CAC 40	1,869.41	1,878.42	-0.48
Stockholm	Aftersvariden	1,096.30	1,099.30	-0.27
Vienna	Stock Index	N.A.	516.44	-
Zurich	SBS	616.00	620.60	-0.74

## Very briefly:

- Steen Line AB, the Swedish ferry operator, said it expected a 300 million kronor (\$49 million) loss for 1991 and would cut more than 1,500 jobs at its British subsidiary Sealink, a quarter of its work force there.
- Renault, the French car maker, and its Swedish partner, Volvo Car Corp., have decided to strengthen ties by exchanging senior sales staff. Volvo Automobiles France SA said.
- UNI Storebrand A/S, Norway's biggest insurer, told the Stockholm bourse it bought an 11.4 percent stake in the Swedish insurer Forsakrings AB Skandia, identifying itself as the buyer of several stakes since Friday.
- Rieter Holding AG, the Swiss spinning machine maker, reported a worldwide collapse in demand for natural fiber spinning machines and predicted a sharp fall in profit for 1991.
- Norway's central bank said there were only weak signs of domestic economic growth but gave no new growth estimates in its quarterly report on the economy.
- Italy is lowering its forecast for economic growth in 1992 from 3 percent, Deputy Prime Minister Claudio Martelli said. He did not give a new target in a statement issued after talks with unions on wage reforms.
- Grand Metropolitan PLC, the food and beverages company, will distribute the world's No. 2 Scotch whisky, J & B Rare, starting next year.
- Czechoslovakia's inflation has not risen in the last two months, the first time this has happened since liberalization of prices in January, the official statistical bureau reported.
- Altos Hornos de Vizcaya SA, the Spanish state-owned steel company, said it reached agreement with Britain's AMG Resources Ltd. on collaboration in recycling tin plate in Spain.
- Desert Consultants Ltd., Cosen and Termomeccanica, all of Europe, have sent representatives to Jordan with a draft project to ease a chronic water shortage by using solar energy to desalinate Red Sea water.

## W.H. Smith Buys Into Virgin Stores

Compiled by Our Staff From Dispatches  
LONDON — The British publications retailer W.H. Smith Group PLC will form a joint venture with Virgin Retail Group Ltd. to develop the Virgin megastores and games chain in Britain and Ireland, W.H. Smith said on Wednesday.  
W.H. Smith will acquire 50 percent of the equity of Virgin Retail U.K., and the venture will operate Virgin's 12 existing British megastores and seven games centers. Virgin said outlets in Japan, France, Italy and Australia would be unaffected.  
(Reuters, AP)

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To the Holders of  
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**Short Term 'B' Units**  
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Midland Bank Trust Corporation (Jersey) Limited as Trustee of the above mentioned Fund hereby gives notice to all Holders of Short Term 'B' Units issued in bearer form that with the consent of the Board of Advisers the Trustee has exercised its powers under the Deed of Trust constituting the Fund to terminate the Short Term 'B' Portfolio as of 18th October, 1991. Such termination is without prejudice to the continuation of the Long Term Portfolio.

The net proceeds of the assets of the Short Term 'B' Portfolio relating to Short Term 'B' Units held in bearer form will be distributed among the Unitholders entitled therein ratably in accordance with the number and type of Units held against production of the relevant Certificate(s).

Unitholders should present their Certificate(s) to the Trustee for payment at 28-34 Hill Street, St. Helier, Jersey, Channel Islands, JE4 8NR.

Following receipt by the Trustee of the relative Certificate(s) and payment of the final redemption proceeds each holder of Short Term 'B' Units will cease to have any further interest in, entitlement to or claim against the Short Term 'B' Portfolio of the Fund or the Trustee. Acceptance by holders of payment of the final redemption proceeds shall constitute a waiver by each holder of any existing claims which they may have against the Fund, the Trustee or any of their agents, officers or employees. Any final redemption proceeds not claimed from the Trustee by former Unitholders within twelve months of the date hereof will be paid into the Royal Court of the Island of Jersey at the expense and risk of such former Unitholders.

**Midland Bank Trust Corporation (Jersey) Limited**  
Trustee  
Dated 18th September, 1991



## Investor's Asia

**Hong Kong Hang Seng**

Month	Index
April	3500
May	3600
June	3800
July	4100
August	3800

**Singapore Straits Times**

Month	Index
April	1400
May	1450
June	1500
July	1550
August	1400

**Tokyo Nikkei 225**

Month	Index
April	25000
May	26000
June	27000
July	28000
August	25000

### Very briefly:

- **Yamato Shoji Co. Ltd.**, the Japanese trading company, announced a merger with **Yamato Trading Co. Ltd.**, which values the latter at 10.4 billion yen (\$78 million dollars) at current market prices.
- **News Corp.** has benefited from an \$8.2 billion restructuring, its chairman, **Rupert Murdoch**, said.
- **Singapore Broadcasting Corp.** said it had appointed the U.S. consultancy firm **VIACOM World Wide** as adviser on the launch of its new cabletelevision subsidiary, **Singapore Cablevision**.
- **Fay, Richelieu & Co.**, the New Zealand merchant bank, said a \$127.5 million loss for the 15 months to June was 30 percent larger than the \$3.8 million it projected last November.
- **South Korea's** current account deficit is likely to reach \$6.9 billion this year, up from last year's \$2.2 billion, the **Korean Development Institute** said, sharply revising its June prediction of a \$3.8 billion deficit.
- **South Korea's** banks borrowed \$6.34 billion from abroad during the first eight months of this year, 5.4 times more than during the same period last year, the **Bank of Korea** said.
- **Toshiba Corp.** said it had developed with **Sharp Corp.** new equipment to produce plastic products such as printed circuit boards without using ozone-damaging chlorofluorocarbons.
- **Eastwest Airlines**, a branch of Australia's domestic carrier **Ansett**, was forced to slash 220 jobs Wednesday as the industry continued to suffer the effects of recession, deregulation and fare cuts.
- **Saudi Arabian Basic Industry Corp.** wants its Japanese partners to bear half the \$200 billion capital increase planned in the **Eastern Petrochemicals** joint venture, industry sources said.

**AFP, Reuters, AP**

## Indonesia Reviewing 120 Projects

**JAKARTA** — Indonesia is currently reviewing 120 economic projects worth nearly \$80 billion to determine which should be postponed to protect the country's precarious financial position, a report said Wednesday.

The projects, including badly needed power and telecommunication facilities, are to be ranked in order of priority, the daily Kompas newspaper quoted Coordinating Minister for the Economy Radjouw Pratiwo as saying.

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100s	High	Low	4 P.M. Orde	High	Low	Stock	Div	Yld	P.C.	100s	High	Low

[illegible]

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# Management Development

## GROOMING TOMORROW'S EXECUTIVES

### The Key to Business Success: Training New Talent

European companies believe that maintaining quality is the key to success in the next century. Japanese firms believe they will prosper through the introduction of new products. Americans are counting on their ability to use new technology.

Those are some regional differences indicated by a study of major corporations by the Columbia University Graduate School of Business and Korn/Ferry International, the executive search and management consultants.

Differences aside, the study found that companies around the world share two major fears for the future: increased competition from abroad, and the shortage of good managers

schools today and in the future," says Thomas P. Gerrity, dean of the Wharton School at the University of Pennsylvania. "It is fundamentally reshaping markets and competitive forces and demanding changes in the way managers think and work."

INSEAD, the business school based in Fontainebleau, France, takes the attitude that it is no longer enough for an international manager merely to be able to function smoothly while jetting from country to country for meetings. The new emphasis is on developing managers who can oversee a broadly diverse organization, integrating resources from different countries, assimilating cross-border technology and coordinating divergent and parallel business activities within a cohesive corporate culture.

To meet the needs of globalization, most business schools are changing their approach, instead of offering specialized "international" study programs, the international aspects of business are brought into every course, from general management to accounting to marketing.

Foreign language classes are becoming a more important part of business education, too, despite the spread of "American" English — even the BBC is now producing instructional videotapes with American pronunciation and vocabulary.

Many business schools that are part of major universities are now offering dual-degree programs, such as an MBA plus a master's in international relations, to provide graduates with a background in and appreciation of different cultures and political frameworks.

The London Business School, for example, is revamping its two-year full-time MBA program to move away from a technical and financial focus to put a new emphasis on marketing, organizational behavior and human resources management.

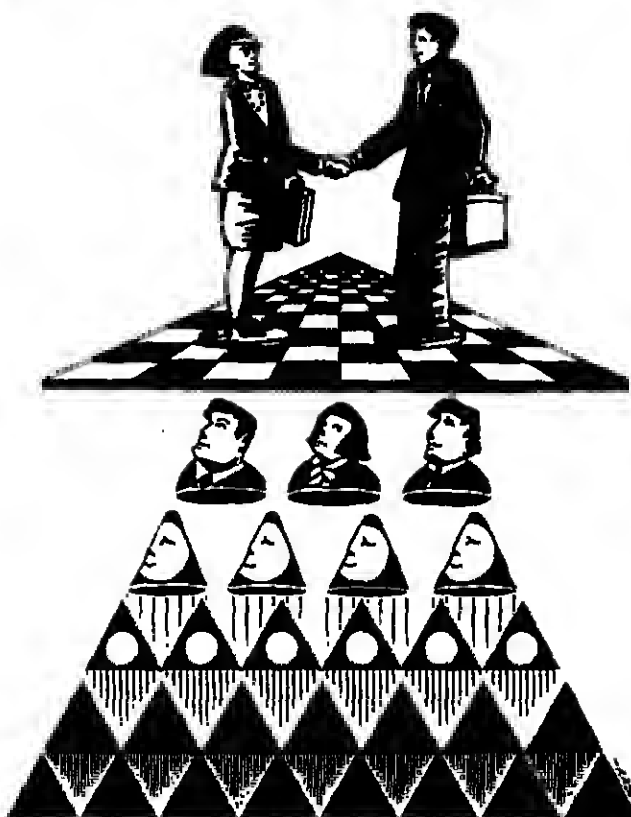
The demand for graduates has also created an unprecedented demand for professors. "Competent business school faculty have become one of the scarcest resources in the delivery of management education worldwide," notes Mr. Gerrity. "This limitation has, for example, led many European schools to construct MBA programs that are only one year in length, with even that re-

The business world is becoming more global, and that means more competitive. This heightened competitiveness has created unprecedented demand for good managers — men and women who can help their companies not only survive, but thrive, into the twenty-first century.

duced program delivered through the support of a substantial complement of visiting faculty from U.S. business schools."

The shortage of graduates means that instead of young people selling

themselves to the best companies, companies now have to sell themselves to the best graduates. Ironically, this change occurs at a time when graduates are becoming less concerned with money.



Instead of waiting for the cream to rise or trying to headhunt experienced executives, more and more companies are aggressively seeking out young talent and grooming people from their own managerial ranks.

In one British survey, university graduates said the following concerns were all more important to them than starting salary: intellectual challenges, opportunities to be creative and original, working with people rather than things, foreign travel, job responsibility, long-term career opportunities, interesting colleagues, full and constructive use of time and training that gives a valuable and marketable asset.

This last issue, training, is the reason so many new MBAs and young executives ask recruiters, "What courses will I be able to take in this job?" They want to learn not only about their own specialties, but about other fields as well. Cross-specialties, it has become clear, are necessary for advancement.

The Korn/Ferry and Columbia University study, for example, suggests that the American chief executive officer in the year 2000 must have some experience in marketing and probably in finance, operations or production too. He or she must also be adept at public speaking and up to speed on new computer or telecommunications technology.

Corporate human resources and personnel executives, often working with outside management consultancies, are becoming more than mechanisms for the processing of people in and out of a company.

Human resources executives now work closely with top managers in order to be able to help provide the people who can fulfill a long-range corporate strategy. A growing part of the human resources role is to create and promote the corporate culture that companies want for themselves.

Besides using outside courses to build up the education and training aspects of that culture, human resources departments are becoming

more closely involved with individual careers.

Some companies, for example, have started doing "entry interviews" six months after new management employees are hired. This helps determine whether the corporate culture is working to reinforce the goals of the company, and whether the new employees are fitting in.

Some companies have developed their own corporate "colleges" that provide a wide range of training for employees, including managers. Motorola University, for example, is

#### Cross-specialties are necessary for advancement

linked with Northwestern University in Evanston, Illinois, and runs programs for all levels of managers in conjunction with graduate business schools across the United States and Europe.

Corporations are finding that a wide variety of training for experienced managers, especially those in their 30s and 40s, can be valuable in helping to identify future chief executives. And human resources departments are expanding their management-development programs beyond classroom education to special real-life assignments. These tough assignments not only build experience for the prospective top managers, but also test their corporate loyalty.

Executives in their 40s and 50s often receive training for possible lateral moves, and participate as leaders or instructors for in-house training. In both roles, such older executives can help promote the corporate culture.

Timothy Harper

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## Cultural versus Technical Styles

Bruno Dufour, general director of the ESC Lyon Graduate School of Business, one of France's leading business schools, was interviewed by Axel Krause, corporate editor of the International Herald Tribune.

*It is said that the United States has the world's best business schools. Do you agree?*

I would say that in terms of quantity, the answer is yes, the United States leads. In terms of quality, maybe too.

*Some critics say American business schools are parochial, lacking in international perspective, compared to their European counterparts.*

Yes, they are not sufficiently oriented internationally — even the best. And I feel they are out in a position to deal with the complexity of Europe, which is very difficult to teach.

*Why is it that the European Community, with a combined GNP higher than that of the United States, has only 10,000 MBA graduates, compared to 75,000 in the U.S.?*

We do not train managers the same way in different cultures. In Europe, training of managers has been mainly cultural, not technical. Management here, until recently, was

not seen as an academic discipline, or a science, in its own right.

*In the 1970s and the 1980s, an MBA was widely considered a passport to jobs and success in business. Will this be true later in the 1990s?*

I don't think so. The real passport will be a



This will be particularly true in Europe.

*Are American business schools, in your view, set up to meet this need?*

One of the problems of U.S. business schools is that they are structured by disciplines, such as marketing, economics, finance, management science and so on. And these disciplines do not work well together. There is no transversal approach to management. We think, in Europe, that we will have to develop approaches that look and delve beyond and below the barriers.

*Are you suggesting that MBA education, whether in Europe or the United States, may be out of touch with business reality?*

Yes, I think so. The real passport will be a

*Bruno Dufour, Groupe ESC: 'American business schools are not in a position to deal with the complexity of Europe.'*

*Why are so many European business schools developing executive training programs?*

It is a booming market. There are many programs being developed within companies at many different levels.

*Should there be a system of accrediting business schools in Europe, similar to what exists in the United States?*

No, I don't think there should be one for all Europe. But there should be an accreditation process within each country, because education is so cultural. I am suggesting a qualifying procedure, rather than good/no-good tests.

*In some famous business schools, like IN-*

SEAD, the London Business School, IMD. But what I am suggesting is that biologists may be better prepared for management science than most managers today, because they are used to complexity.

*What is your assessment of the approach in Germany, where there are few MBA and management schools as such?*

In Germany, managers are drawn from the university system, which provides very good theoretical, scientific training. Later, they get more specific management training within companies.

*What about Japan?* University programs are rather disappointing. Based on our experience, education in Japan is mainly cultural. And the pressure is on to conform. They teach social flexibility in Japan. They learn management techniques inside companies.

*Why are so many European business schools developing executive training programs?* It is a booming market. There are many programs being developed within companies at many different levels.

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## European Bastions Join Cult of the MBA

The mystique of the MBA has hit the Continent at last. Where only a select few Europeans opted for this American version of a graduate business degree 10 or 20 years ago, today the situation has changed considerably. Now throngs of young hopefuls jostle at the doors of Europe's institutions in hopes of gaining competence, prestige and a golden gateway to career advancement. If current trends continue, their number is going to increase.

Numbers are rising rapidly in this fast-expanding field. Last year about 700 U.S. business schools awarded some 75,000 MBAs. Elsewhere, mostly in Europe, about 120 business schools awarded some 10,000 MBAs. This figure is expected to double during the 1990s, a factor — or, as the case may be, a consequence — of increased admissions on the part of several MBA programs.

The Lausanne-based International Institute for Management Development (IMD), for one, will double the

### Oxford and Cambridge universities are establishing their own MBA programs

number of students gaining entry each year to 130 in 1993. Manchester Business School, which began with a mere 25 students in 1963, will admit 180 in 1992, and INSEAD — the largest of them all at its campus at Fontainebleau, outside Paris — is home to roughly 440 MBA participants at any time, 220 in each of its overlapping programs.

A sure sign that demand leads supply — and helps to overcome old-fashioned resistance to change — is that Oxford and Cambridge Universities, two bastions of academic elitism, are busy establishing their own MBA programs. Oxford's future Graduate School of Management Studies (to be renamed should a generous donor arise) plans a two-year MBA for introduction in October 1993 or 1994. Affiliated with Oxford's Templeton College, the program will admit 40 participants annually at its inception, and has plans to expand that number to 150 by the end of the decade.

"The MBA program is not a milch cow for the university," says Will Eades, the development director of Templeton College, in response to criticism from hard-line academic conservatives. "Our goal is to create a world-class management school to compete with major U.S. institutions, such as Harvard Business School and Wharton School of Management [University of Pennsylvania]."

Cambridge's Judge Institute of Management Studies plans a work-study program extending over three years and admitting 150 students.

The fact is that MBAs are hot — so hot that Europe is beset by "a mushrooming of fly-by-night programs," according to Juan Rada, director-general of Switzerland's prestigious IMD, located in Lausanne, the fruit of a 1987 merger between IMEDE (Lausanne) and IMI (Geneva).

"There are black sheep," concurs Adolf Ihde, assistant director of the Brussels-based European Foundation for Management Development, the European counterpart to the American Association of Collegiate Schools of Business. Mr. Rada and fellow deans from well-respected programs recommend circumspection in a student's choice of an institution.

"An MBA is now a variable thing," warns Leo Murray, director of the Cranfield School of Management in Britain. Criteria for judicious selection include quality of the faculty (number of doctoral degrees, connections with the business community), of the students (average age, work experience, test scores, mix of nationalities),

research capacities, availability of language training and the caliber of companies that hire graduating students.

Several concerns rule the development of a high-quality MBA program. A major problem is that "there's not enough good faculty to go around," Mr. Rada explains. This should lead to "a shakeout in European schools," he adds, and to a further move toward strategic alliances.

Synergies include the joint European MBA program recently established by Cranfield and CESMA (part of the ESC Lyon Group) or the Southern France-based Institut Thésus, a collaborative effort between INSEAD, the Ecole des Mines and the Ecole Supérieure des Télécommunications.

Exposure to outstanding faculty, as well as to a different business culture, is also a motivation for increasingly popular exchange programs. By its own account, Manchester Business School offers the largest such program of any business school in the world, featuring exchange agreements with a total of 32 business institutions worldwide.

In an increasingly global business environment, language training — at minimum, the mastery of a second, at best, of a third, language — is a priority for European business schools. Some, such as IMD, Brighton Polytechnic, Cranfield, the International Executive Development Center (Yugoslavia), and European University (with nine campuses in five countries), feature an English-language program complemented by intensive language training. Others, such as INSEAD, Instituto de Estudios Superiores de la Empresa (Barcelona), SDA-Bocconi (Milan), Ponts & Chaussées and Institut Supérieur des Affaires (France) and Erasmus (Rotterdam) feature bilingual programs in English and their national language.

While most schools offer general management training, strengths in finance (London Business School), manufacturing (Manchester Business School) and purchasing (European Institute of Purchasing Management) as well as distance learning (Hendley Management College, Britain), part-time MBAs for working executives and single-company MBAs are all available for the asking.

"The management task is getting much more complex, international and immediate than in the past," says Mr.

### It's no longer a question of having an MBA, it's which MBA

Murray, and the hope for the thousands of aspiring MBAs is to get one step ahead of the competition on the fast track to success.

"On a yearly basis, a large number of European students leave the university with a business degree," notes Mr. Ihde. "Their perception is that if you add on an MBA, you are more marketable, part of a tiny minority who did something different."

Yet while many companies appreciate the integrative management skills acquired by MBA graduates, their salary and career expectations sometimes place them out of the market. "Even an MBA doesn't automatically guarantee a bright and fast career track," warns Mr. Ihde.

Not to be deterred, thousands of students aged between 23 and 45 apply each year for the comparatively few MBA vacancies at Europe's prestigious and not-so-prestigious business schools. But in an increasingly uncertain and changing economy, that little "something extra" to add to the degree may just make the difference. In the words of Mr. Murray, "It's no longer a question of having an MBA, it's which MBA."

Romy Joyce

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## Tailoring the Course to Fit the Customer

With thousands of MBAs saturating the job market, many business schools have begun to concentrate on continuing education for executives already in the work force. Such programs benefit both the schools and their students.

Many U.S. schools run programs in tandem with private corporations, some based in Europe or Asia. New York University's Stern School of Business, for example, has been training Deutsche Bank executives in Germany and New York for seven years. Martin Gruber, chairman of the Finance Department, has run in-house training programs on the Japanese capital markets (Mr. Gruber's chair is endowed by Nomura Securities). The school is also sponsoring a one-day seminar on Asian capital markets sponsored by Japanese investment banking giant Yamaichi.

NYU's Salomon Center sponsors about four conferences a year, two-thirds academic and one-third entirely practical in content.

Groups of young executives from the British conglomerate GKN come to the University of Pittsburgh's Katz School of Business (known as Pitt). Pitt custom-designs programs for specific companies and provides its own facilities and faculty.

Samsung recently sent 28 managers from Korea to Pittsburgh for a three-month program consisting of one month of intensive instruction in English and two months studying marketing management.

Using distance learning by means of fax, mail and computers, Pitt's executive MBA program has attracted candidates from as far away as Bahrain. Pitt is laying the foundations for using videos and even teleconferencing technology for long-distance MBA candidates.

The international management program of George

Washington University's School of Business and Public Management brings senior executives to Washington for two weeks of intensive seminars. George Washington recently completed a new Soviet Executive Program, which taught people from the Soviet Union and Poland about joint ventures and the market economy.

George Washington has also instituted an executive MBA program for middle managers who are 38 to 42 years old and have at least 10 years of management experience. Many have technical degrees; many come from the federal government. "These are people who are already at the brink of significant senior positions," says the dean, Ben Burdetsky.

One of the U.S. leaders in executive training is Columbia University. Nearly 50 percent of those taking Columbia's four-week program for general managers are American participants who work abroad. A similar program focuses on non-American executives. "Columbia has been in the executive education business for a long time," says the dean of the Business School, Meyer Feldberg.

Many executive programs, which began half a century ago, are run on a baronial estate the school owns in suburban Westchester County. Others are on site at a corporation's own facilities. IBM, Merck, AT&T, Digital Equipment and Equitable Insurance are among corporations taking part in programs that are structured but also tailor-made for the individual corporation's needs. "We generally tend not to run anything less than a week," Mr. Feldberg says. "But if IBM called up and said they

wanted it in three days, I would take that seriously."

Since 1984, the Special Programs Division, headed by the associate dean, Mary Ann Devanna, has been custom-designing corporate programs. "It demands a lot of up-front work to mount one of these programs," Ms. Devanna says. "We interview a cross-section of people in the company or do a needs analysis in-house."

In turn, the school delivers a turnkey operation designed to change with the company's needs. One of the companies Columbia has been involved with is Grand Metropolitan of Britain, which takes part in four programs a year, two in London and two in New York.



Ben Burdetsky,

George Washington

University: "These

are people already at

the brink of significant

senior positions."

Columbia tends to aim more at senior executives than do other business schools. It attempts to update programs for changing needs. "Managing Innovation," for example, has been running for two years. It deals with organizations whose survival depends on the productivity of talented, highly sophisticated people, "many of whom are prima donnas," according to Mr. Feldberg. The program runs in both the United States and Europe.

Another cutting-edge program, begun this year, is "Managing Cultural Diversity." Offered only on the New York City campus, it has generated "probably more

inquiries than any other program," Mr. Feldberg says.

Columbia also maintains a high profile in Europe to teach American and European executives based there. But, Mr. Feldberg says, "I think the primary purpose of our presence in Europe is as an educational experience for us and our faculty. One of the ways we internationalize our faculty is by sending them over there not only to teach, but to learn from the executives they are teaching. It helps us internationalize our programs in New York."

Wake Forest University's Babcock Graduate School of Management, located in Winston-Salem, North Carolina, emphasizes a multidisciplinary approach in its programs.

The dean, John B. McKinnon, a former president of consumer giant Sara Lee Corp., presides over some unusual programs for executives that include one for church managers. The Institute for Executive Education is a nondegree program of short seminars on specific subjects. Last spring, for example, Babcock used its facility and outside experts for a seminar on "Merchandising Magic." USAir executives came to Babcock to study organizational behavior.

That kind of program is becoming increasingly popular among business schools and outside experts. S.C. Kitsopoulos runs Interconsult, a New Jersey company that has developed a flexible program called "Communications, People, Diversity and Creativity" that addresses leadership communications. For AT&T Bell Labs, Mr. Kitsopoulos helped develop a program for technical managers who were affected by the breakup of the U.S. telephone system.

Another part of executive training is personal intervention. Mr. Kitsopoulos does one-on-one coaching with top executives on issues that affect their corporate personality. "Psychotherapy is a dirty word in boardrooms," says Mr. Kitsopoulos, who has worked in psychology and business, "but it's appreciated by executives."

Steve Weinstein

## For Consultants, Advice Is Now Harder to Sell

"Nowadays, companies want hard, measurable results, and they are looking for total solutions," says Jean-Noël Gorge of Andersen Consulting in Paris.

The short-term context for this development is one of recession and cutbacks in Western economies and a related slowdown of international business. A longer-term impetus comes from changes in the way companies are organizing their decision-making.

"Among large companies, there is currently something of a trend toward what has been nicknamed corporate perestroika," says Jacob de Smit, director of the Rotterdam School of Management. "Responsibility for obtaining results is being

It used to be said that consultants borrowed other men's watches, then collected a fee for telling them what time it was. Today's competitive environment has changed that.

pushed downward to lower levels of the hierarchy."

Against this background, consultants who a couple of years ago would have been called on to draw up general strategic recommendations for top management are now being asked to move into detailed implementation.

"The concept of management based on total quality is central to our consulting approach," says Luc Dumont at the Paris office of the PA Consulting Group. In this context, the International Organization for Standardization has laid down an

official standard on total-quality management. "We have invested some 10 million francs (\$1.7 million) in perfecting our mastery of this technique, which involves orienting companies toward achieving sustainable quality results in total compliance with their customers' needs," Mr. Dumont says.

Sectors that continue to do well include career counseling, cost-reduction exercises, change management and advice on how to obtain the best results and

squeeze maximum profit from information technology.

No one knows the exact value of the consultancy market in Europe. According to figures compiled earlier this year by the German Management Consultants' Association, however, the EC and European Free Trade Association countries boasted a 1989 total of 16,802 management consultancies, which at that time employed some 122,140 people.

Says Alain Mitrani, divisional director at the Paris office of Hay Management, "If there is one major change among client companies that most influences the services they require from us, it is developing corporate concern to get the maximum from the staff they already have on board."

Against a background of sharpening competitive pressures and greater internationalization of business, consulting practices that have long advised others on their structures are now having to look long and hard at their own organizational arrangements, at home or abroad.

Michael Rowe

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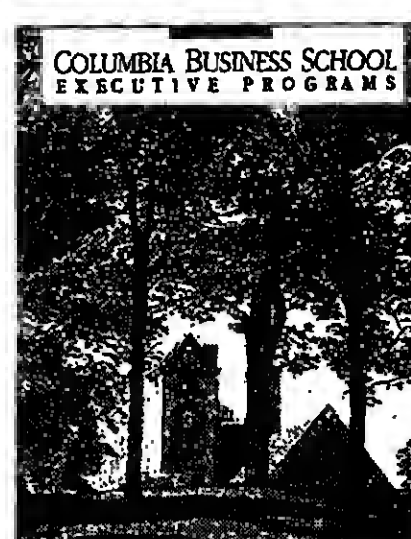
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